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ABSTRACT

An empirical study of minority business enterprise in construction, the paper is based on interviews with 340 general and specialty contractors (out of 1,275 identified minority contractors) in Atlanta, Houston, Chicago, and San Francisco-Oakland, as well as 300 other individuals including civil rights officials, and other knowledgeable individuals. The study includes consideration of the characteristics of existing contractors and their firms, the aspirations of the contractors, an analysis of the problems they face in upgrading their businesses, and an examination of alternative approaches to improving and expanding minority business enterprise in construction. Among the strategies reviewed are demand stimulation through identifying minority firms in published lists and redirecting public and private procurement toward minority firms and supply development through bonding and financial assistance, technical and managerial assistance, and labor training. Also discussed are the potential and pitfalls of the minority contractor association and joint ventures between minority and nonminority contractors. The general conclusion is reached that some minority contractors have significant potential for advancement which could be realized with the proper assistance. Specific conclusions and recommendations concerning the efforts to offer this assistance are stated. The concluding section lists interview subjects and bibliographic sources. (Author/MS)

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FOSTERING MINORITY ENTERPRISE
IN CONSTRUCTION

Robert W. Glover*

Final Report

Grant 81-46-70-24

April 1975

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April, 1975

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CHAPTER 1

INTRODUCTION

Construction offers special potential to improve minority economic conditions. It is a high-wage growth industry with a relatively large number of blacks already in it and where generally low capital requirements and freedom of entry make the growth of employment and entrepreneurial opportunities for additional minorities more attainable relative to other industries.

In addition, as several writers have pointed out, government is heavily involved in the industry, making it possible for those interested in improving economic opportunities of minorities to use their political power to influence public policy in this direction. Of \$150 billion expended on construction, approximately \$30 billion, or 20 percent, is federally assisted, offering the government considerable leverage over the industry.¹

Upgrading minority firms in construction also is appealing from the standpoint of the potential it offers to assist in integrating building trades unions. Despite some recent progress in minority participation in apprenticeship,² construction has the lowest proportion of its minority workers in the union sector of any industrial grouping in the United States.³ Some view upgrading of minority construction

¹William B. Gould, "The Seattle Building Trades Order: The First Comprehensive Relief Against Employment Discrimination in the Construction Industry," Stanford Law Review, Vol. 26, No. 4 (April, 1974), p. 775.

²See Herbert Hammerman, "Minorities in Construction Referral Unions -- Revisited," Monthly Labor Review, Vol. 96, No. 5 (May, 1973), pp. 44-46.

³U. S. Bureau of Labor Statistics, Selected Earnings and Demographic Characteristics of Union Members, 1970, Report 417 (Washington, D.C.: U. S. Government Printing Office, 1972), Table 13, 10. 27.

contractors as a strategy for either inducing the building trades to integrate (presumably by making minority firms so strong that the building trades cannot afford to ignore them) or as a way of bypassing unions altogether.⁴

Construction work has high visibility and the contrast between white firms and white workers building in predominantly black areas while large numbers of unemployed black men stand by idle is too obvious to miss, especially as predominately black urban areas become sites of re-building activity.

Further, stimulating minority entrepreneurship in construction may generate favorable influences on minority youth. While minorities are currently underrepresented among company owners and managers, there is some data to indicate that successful minority entrepreneurs become significant role models to younger minorities. Thus, there may be a favorable cumulative effect operating to encourage black entrepreneurship; that is, once a few successful contractors become established, they provide role models for others to follow in their footsteps.

Finally, upgrading minority contractors is likely to generate greater income and employment in the minority community. Because minority firms are more likely than other firms to hire minority workers and spend monies with minority suppliers, a larger proportion of construction funding will end up in minority hands. In addition, through a multiplier effect, initial expenditures will provide additional income and employment generation in the minority community.

Although minority capitalism cannot by itself provide employment to all employed and underemployed minorities,⁵ it can provide some meaningful employment opportunities.

⁴An example of the latter view was recently expressed in a paper at Howard University delivered by Herbert Hill. For a summary, see Fair Employment Report (June 14, 1974), pp. 113-114.

⁵For a controversy over the employment generating effects of black capitalism, see Andrew Brimmer and H. S. Terrel, "The Economic Potential of Black Capitalism," Public Policy, Vol. 19, No. 2 (Spring, 1971), pp. 289-308.

Further, there is some evidence to suggest that for a given amount of funds, assisting minority firms in construction work offers relatively greater employment generation than does assistance to other types of minority business enterprise.⁶

Methodology of the Study

The pilot phase of this project was undertaken in two relatively nonunion southern cities -- Houston and Atlanta -- during the period 1970-1972. Between 1972-1974, the study was expanded to two heavily unionized areas in the non-South: Chicago and the San Francisco-Oakland area. The second phase project sought especially to determine how minority contractors operated in a heavily unionized environment, to provide a national perspective from which to make recommendations regarding utilizing upgraded minority construction contractors and their employees to help increase minority participation in the construction industry and to compile data on a counterpart group of white contractors for the sake of comparison. The third objective was an attempt to test the hypothesis that the problems which minority contractors face are simply problems faced by all small businessmen. In other words, the problems faced by minority enterprise arise from being small rather than from being minority.

Unfortunately, interviews with white contractors did not work out well, primarily because of the difficulties of obtaining a truly counterpart sample. Our approach was to locate the white contractor sample by asking minority contractors whom they compete against. Unfortunately, most of the smaller minority contractors were unable to specify any white contractors with whom they competed. Further, the few large minority contractors who were able to supply names of white competitors generally named the largest construction firms in the city. Upon verification it was generally discovered that the interviewed minorities had competed with them only rarely. Perhaps the minorities took it as a matter of pride that they competed with the biggest or perhaps the names of the largest contractors just came to mind most readily because their trade names were most

⁶See, for example, Timothy Bates, "Employment Potential of Inner City Black Enterprise," The Review of Black Political Economy, Vol. 4, No. 4 (Summer, 1974), pp. 64-65.

established. Whatever the reason, the approach was unsuccessful in leading us to a counterpart sample of white contractors; and this portion of the project was abandoned after initial testing in the San Francisco-Oakland area. However, the fact that the minority firms could not specify their white counterparts was revealing in itself; and the results which were obtained from the survey of noncomparable whites did yield some useful information, which is detailed in the Tables of Appendix A.

Selection of the Cities

Each of the cities studied offers an important market for minority enterprise in construction. Atlanta and Houston comprise two of the largest, most important, and fastest growing cities in the South. One out of every ten construction jobs in the South was in these cities in 1972.

Each city chosen has a large minority population and significant number of minority firms in construction. Enumerations published by the U.S. Bureau of the Census in Minority-Owned Businesses: 1969 show the ranking of Standard Metropolitan Statistical Areas (SMSA's) by number of minority firms presented in Table 1. As can be seen,⁸ the cities selected for this study rank high on the list.

⁷U. S. Bureau of Labor Statistics, Employment and Earnings in the States and Areas: 1939-1972 Bulletin (Washington, D.C.: U.S. Government Printing Office, 1973).

⁸Of course, these Census data are subject to question. For example, the author's searches in 1970-71 uncovered more Mexican American-owned tiling contractors in Houston alone than Minority-Owned Businesses: 1969 enumerated for the entire country; on the other hand, as compared with the U. S. Census 1969 total of 535 Mexican American-owned or 549 Spanish-owned firms in Houston, the author's efforts uncovered only a total of 149 firms in 1970-71.

Table 1
 Numbers of Minority-Owned Firms
 in Contract Construction in Selected SMSA's, 1969

Ranking of Total Number of Minority- Owned Firms	SMSA	Total Number of Minority Owned Firms	Total Minority		Firms by Minority Classification		
			Firms with Paid Employees (Number)	(Percent)	Black	Spanish American	Other
1	Los Angeles, Ca.	2,056	459	22%	588	845	623
2	Houston, Tx.	1,049	239	23%	443	549	57
3	New York, N.Y.	847	155	18%	449	303	45
4	San Antonio, Tx.	664	194	29%	55	585	-
5	Philadelphia, Pa.-NJ.	654	108	16%	614	-	-
6	Chicago, Ill.	619	130	21%	512	67	40
7	San Francisco- Oakland, Ca.	597	186	31%	198	229	170
8	Washington, D.C.	508	96	19%	462	32	14
9	Detroit, Mich.	484	147	30%	453	-	-
10	New Orleans, La.	442	86	19%	392	43	-
11	Dallas, Tx.	433	110	25%	213	174	-
12	Miami, Fla.	426	82	19%	62	356	-
13	El Paso, Tx.	413	179	43%	-	392	-
14	Atlanta, Ga.	306	81	26%	288	-	-
15	Cleveland, Ohio	299	59	20%	284	-	-
16	Baltimore, Md.	291	56	19%	256	-	-
17	Newark, N.J.	289	57	20%	246	-	-
18	Corpus Christi, Tx.	244	68	28%	-	206	-
19	Memphis, Tenn.-Ark.	237	63	27%	232	-	-
20	San Jose, Ca.	212	76	36%	-	138	50
21	St. Louis, Mo.-Ill.	207	45	22%	194	-	-
22	San Diego, Ca.	193	56	29%	42	122	29
23	Denver, Co.	179	42	23%	50	97	-
24	San Bernardino- Riverside- Ontario, Ca.	172	69	40%	-	111	33
25	Pittsburgh, Pa.	170	30	18%	159	-	-
26	Albuquerque, N.M.	169	72	43%	-	151	-
27	Cincinnati, Ohio- Ky.-In.	165	37	22%	157	-	-
28	Sacramento, Ca.	140	40	29%	-	62	61
29	Kansas City, Mo.-Ka.	139	17	12%	126	-	-
30	Fresno, Ca.	124	42	34%	-	74	35
31	Brownsville- Marlingen-San Benito, Tx.	122	48	39%	-	116	-
	Laredo, Tx.	122	28	23%	-	116	-
33	Phoenix, Ariz.	121	34	32%	-	77	-

The San Francisco area and Chicago are also interesting from another perspective: they are key centers of activity in the movement to upgrade minority firms in construction. It was in San Francisco where the National Association of Minority Contractors (NAMC) was founded and Minority Builder magazine was begun. The earliest efforts to assist a local group of minority contractors from various trades were begun under financing from the Ford Foundation to the General and Specialty Contractors Association in Oakland. In addition, the Oakland group also has long experience in training through Project UPGRADE, a training program which has served as a model for projects in Columbus, Ohio; Tacoma, Washington; and other places around the nation.⁹

Chicago is the site of the labor project of the National Association of Minority Contractors (NAMC), the first project undertaken by the NAMC to be sponsored by federal monies. Chicago is also the focus of operations for several minority organizations which have been active in efforts to upgrade minority enterprise in construction.

Locating and Interviewing Minority Contractors

After the cities were selected, an interview instrument was developed and tested, and the task of identifying minority contractors was begun. The general procedure followed was to compile a master list of minority contractors from every conceivable source, including listings such as the Registry of Minority Construction Contractors and Registry of Minority Contractors and Housing Professionals, lists and referrals from Urban League Chapters, business development organizations, government agency procurement officers, material suppliers, unions, membership and mailing lists from associations of minority contractors, and construction listings in minority business directories. In addition, telephone books were examined for names of Spanish-surnamed contractors and in Houston, a series of announcements was broadcast on the Spanish community affairs program, "Cita Con Carlos," which sought to elicit names of contractors who might wish to be included in the survey.

⁹Personal interview with Gene Johnson, executive director, Project UPGRADE, Inc. (Oakland, November 7, 1972).

Finally, minority contractors interviewed made referrals to fellow minority contractors. The latter proved to be the most fruitful source of names. The Polk City Directory was used to trace contractors from incomplete references.

An interview sample of contractors was selected with emphasis given to obtaining an exposure to as complete a cross section as possible. Although large and small contractors from almost every trade were interviewed, contractors in the mechanical trades¹⁰ were given special focus. Twenty-five percent of all identified minority contractors among the four metropolitan areas were interviewed, including 43 percent of contractors with at least one paid employee.

The contractors contacted were remarkably willing to consent to be interviewed. In Houston, Chicago, and Atlanta, the nonresponse rate was less than five percent. In San Francisco, among contractors other than white or Chinese, it was under 10 percent. Among white and Chinese firms, approximately one in four refused to be interviewed. Many Chinese contractors appeared distrustful of any interviewers -- even interviewers who spoke Cantonese. White contractors who refused interviews indicated that they were too busy to spend the time.

Such a low nonresponse rate helps to assure that the sample of minority contractors interviewed -- especially black and Spanish-heritage contractors -- does not reflect bias due to nonresponsiveness. Other than with white and Chinese contractors, nonresponsiveness reflected the mood and personality of the individual interviewer more than any other factor.

This study relies primarily on interview data. In general, interviews with contractors covered four areas of concern: (1) background of the contractor, (2) profile of his firm, (3) problems of his firm, and (4) the contractor's view of upgrading efforts. In total, interviews with 340 active contractors, including interviews with 25 white contractors, were conducted.

¹⁰ The mechanical trades include six of the 17 crafts in the building trades. They are as follows: electricians, elevator operators, ironworkers, operating engineers, pipe trades (plumbers, steamfitters, sprinkler fitters and pipefitters), and sheet metal workers.

To supplement the information obtained from the contractors, interviews were conducted with 300 additional individuals, including union officials, civil rights leaders, government officials, contractors' association staff, surety agents, and other knowledgeable persons who had pertinent information. A complete list of names and titles of these individuals may be found in the bibliography; and a breakdown of all interviews is presented in Table 2.

Outline of the Study

Chapter 2 presents a summary profile of the contractors interviewed. Chapter 3 offers a discussion of problems faced by the minority contractors, as viewed by the contractors themselves. Both Chapters 2 and 3 rely on the data presented in Appendix A. The reader who wishes more than a summary is invited to review the tables in this appendix which details the information collected in the interviews with contractors. For purposes of comparison, data in the tables are arranged by city and by ethnic or racial group. In the San Francisco-Oakland area, Spaniard Americans (i.e., from Spain) are separated from Spanish Americans because the former did not identify themselves as a minority group. In fact, most were quite vocal about this point in the interviews. The term "Spanish American" covers Mexican Americans in Houston, Chicago and the San Francisco areas as well as latins of Central or South American origin in the latter two cities. Also, Japanese Americans are separated from Chinese Americans because they are two very different groups.

The remainder of the paper is devoted to a discussion of various efforts to upgrade minority business in construction. Chapter 4 discusses, as alternatives, approaches of demand stimulation, including the approach of supply development. Chapters 5 and 6 review two vehicles which conceptually combine demand stimulation and supply development into one remedy: the minority contractor association and the joint venture. Chapter 7 contains a summary of the study, conclusions and recommendations.

Table 2
Schedule of Persons Interviewed

Classification	Houston	Atlanta	Chicago	San Francisco-Oakland	Elsewhere	Total
<u>Active Minority Construction Contractors:</u>						
<u>Black</u>	13	53	27	92	-	185
<u>Spanish American</u>	53	-	18	33	-	104
<u>Asian American</u>	-	-	-	24	-	24
<u>American Indian</u>	-	-	-	2	-	2
<u>Active White Construction Contractors</u>	-	-	-	25	-	25
<u>Total: Active Contractors</u>	66	53	45	176	-	340
<u>Other Individuals Interviewed:</u>						
<u>Experts from the Private Sector: Construction and Related Industries</u>						
Construction Industry Executives (white contractors)	2	-	3	5	-	10
White Contractors' Association Officials	4	-	1	1	-	6
Architects	2	1	-	-	-	3
Insurance Industry Executives	2	-	-	-	5	7
Chamber of Commerce Officials	2	2	4	-	3	11
Others	4	5	-	-	7	16
<u>University Experts and Other Consultants</u>						
Anti-Poverty Agencies and Economic Development Organizations	6	-	2	13	-	21
Anti-Poverty Agency and Manpower Agency Officials	4	1	2	2	4	13
Model Cities, Urban Renewal and Redevelopment Agency Officials	4	2	1	2	8	17
Economic Development Organizations						
Federal Government Officials	6	2	-	1	3	12
OPIC and Other FEO Officials	3	2	2	3	-	16
SBA and OMB Officials	1	4	-	1	2	8
HUC Officials	1	-	3	1	6	10
Others						
<u>State Government Officials</u>	2	-	-	-	-	2
Employment Service	-	-	2	3	6	11
Other						
<u>Local Government Officials</u>	6	2	-	-	1	9
Union Officials	1	2	1	1	2	7
<u>Minority Contractors' Association Officials and Contractor Assistance Center Officials</u>	2	4	6	5	69	90
<u>Other Rights Organization Officials</u>	3	3	4	1	9	13
<u>Inactive Minority Construction Contractors</u>						
Retired	1	3	-	-	-	4
Out of Business	-	4	-	1	-	5
Planning to Enter Business	-	-	-	-	-	1
<u>Total: Other Individuals</u>	56	37	31	47	129	300
<u>Total: All Persons</u>	122	90	76	223	129	640

Source: Personal interviews. Data for Atlanta and Houston were gathered in 1971. Data for Chicago and San Francisco were collected during 1973-1974.

CHAPTER 2

PROFILE OF MINORITY CONTRACTORS AND THEIR FIRMS*

Just how many minority contractors there are has been a matter of considerable uncertainty. Based on data collected by the Ford Foundation, one study concluded, "In 30 states comprising 107 cities for which information on Negro contractors is available, it is estimated that no more than 1,500 - 2,000 black contractors are in business."¹ In 1970, Joseph Debro, executive director of the National Association of Minority Contractors suggested a similar estimate -- 2,000 or .2 percent of all contractors in the nation.² In a 1969 survey of 48 cities, the NAACP reportedly identified 4,000 minority contractors. However, of this number, they were able to contact and interview only 2,051.³ A study by the Small Business Administration (SBA) in 1969 placed the number at 2.6 percent of all construction firms.⁴ In 1971,

*At editorial suggestion, masculine pronouns are used throughout this paper to facilitate continuity in reading only. No affront is intended to the two female contractors interviewed for this study nor to women who aspire to become contractors. Where possible and not clumsy, terms without sex connotations have been used.

¹G. Douglas Pugh, "Bonding Minority Contractors," in William F. Haddad and G. Douglas Pugh (eds.), Black Economic Development (Englewood Cliffs, New Jersey: Prentice Hall, Inc., 1969), p. 139.

²Joseph Debro, "The Minority Builder," Labor Law Journal, Vol. 21, No. 5; (May, 1970), p. 298.

³U. S. Department of Housing and Urban Development, Office of the Assistant Secretary for Equal Opportunity, Registry of Minority Construction Contractors (Washington, D.C.: U. S. Government Printing Office, 1970). The Registry contains names, addresses, and other information on the 2,051 contractors interviewed.

⁴Small Business Administration, as cited in Ronald W. Bailey, "Introduction/Black Enterprise: Reflections on Its History and Future Development," in Black Business Enterprise: Historical and Contemporary Perspectives, edited by Ronald W. Bailey (New York: Basic Books, Inc., 1971), p. 8.

SBA estimates were more conservative: of the 870,000 identifiable firms in the construction industry nationwide, not more than 8,000 or .9 percent were said to be owned by minority group members.⁵

It now appears that all previous estimates were low. A census of minority businesses in 1969, using information from income tax returns, social security card applications, and mailed questionnaires, found a national total of 29,695 minority-owned firms in contract construction, 8,214 of which have paid employees. A distribution of these firms by trade and minority classification is shown in Table 3.

For the minority groups in the four metropolitan areas studied, Minority-Owned Businesses: 1969 reports a total of 2,456 firms. Of this number, 615 or 25 percent have paid employees.

Unfortunately, the census only counted minority contractors; it did not identify them. Published sources which list minority contractors in the four metropolitan areas studied show far fewer contractors. Most of these sources define "construction contractor" in the broadest sense, that is, "If someone presents himself or herself to the public as a contractor who performs construction for money, he or she is so classified."⁶ Using the same definition the present survey uncovered names and at least sketchy information on a total of 1,275 minority contractors in Atlanta, Houston, Chicago, and San Francisco-Oakland. A distribution of reportedly active minority contractors, classified by respective construction specialty, is provided in Table 4.

The figures must be taken with some reservation since not all of the contractors could be reached for verification. Since business turnover in the construction industry is high and since some of the information dates back as far as five years, undoubtedly some of those named have died, retired,

⁵The 870,000 figure is taken from the Bureau of the Census. The SBA working estimate of 8,000 is cited in U. S. Department of Housing and Urban Development, Office of the Assistant Secretary for Equal Opportunity, A Survey of Minority Construction Contractors (Washington, D.C.: Government Printing Office, 1971), p. 1.

Table 3

Total Number of Minority-Owned Firms in Contract Construction
in the United States, by Trade and Minority Classification: 1969

SIC Code	Trade or Sector	Black-Owned Firms	Spanish-Speaking Owned Firms	Other Minority-Owned Firms	Total Minority-Owned Firms
	Contract Construction, Total	16,235	9,947	3,513	29,965
15	General Building Contractors	2,359	1,164	641	4,164
16	Heavy Construction Contractors	369	264	108	741
16 1	Highway and Street Construction	125	98	42	265
16 2	Heavy Construction ¹	244	166	66	476
17	Special Trade Contractors	13,477	6,683	2,730	22,890
17 1	Plumbing, Heating, Air Conditioning	1,175	598	249	2,022
17 2	Painting, Paperhanging, Decorating	2,704	1,327	523	4,554
17 3	Electrical Work	778	306	192	1,276
17 4	Masonry, Stonework, Plastering	2,601	813	223	3,637
17 41	Masonry and Other Stonework	662	187	46	895
17 42	Plastering and Lathing	151	49	9	209
17 43	Terrazzo, Tile, Marble, Mosaic Work	45	62	13	120
17 4-	Masonry, Stonework, and Plastering ²	1,743	515	155	2,413
17 5	Carpentering and Flooring	2,547	1,313	439	4,299
17 51	Carpentering	123	148	41	312
17 52	Floor Laying and Floor Work ¹	80	99	24	203
17 5-	Carpentering and Flooring ²	2,344	1,066	374	3,784
17 6	Roofing and Sheet Metal Work	290	264	84	638
17 7	Concrete Work	1,006	385	74	1,465
17 8	Water Well Drilling	41	19	3	63
17 9	Miscellaneous Special Trade Contractors	2,235	1,658	943	4,936
17 91	Structural Steel Erection	14	10	5	29
17 92	Ornamental Metal Work	4	10	0	14
17 93	Glass and Glazing Work	11	14	4	29
17 94	Excavating and Foundation Work	54	30	10	94
17 95	Wrecking and Demolition Work	19	2	2	23
17 99	Special Trade Contractors ¹	2,233	1,592	922	4,747
65 pt	Subdividers, Developers, and Operative Builders	30	36	34	100

¹Not elsewhere classified.

²Not specified by kind.

SOURCE: U. S. Department of Commerce, Bureau of the Census, Minority-Owned Businesses: 1969, Report No. MB-1 (Washington, D.C.: Government Printing Office, 1971).

Table 4
Numbers of Reportedly Active Minority Construction Contractors, by
City and Ethnic/Racial Background and Specialty

Specialty	Atlanta, 1971			San Francisco-Oakland, 1971			Chicago, 1971			San Francisco-Oakland, 1971			Total all cities
	Black		Total in City	Black		Total in City	Black		Total in City	Black		Total in City	
	American	Spanish		American	Spanish		American	Spanish		American	Spanish		
General Building Contractors	45	18	28	46	91	124	12	136	43	24	125	261	352
Railway and Street Construction	-	-	-	-	-	-	-	-	-	-	-	-	1
Sub or Specialty Contractors	-	-	-	-	-	-	-	-	-	-	-	-	-
Air Conditioning, Heating, Refrigeration	7	10	3	13	20	28	-	28	-	-	-	-	1
Carpentry -- Framing	11	31	5	26	37	45	5	49	1	2	4	32	53
Tins, Cabinets	3	4	15	19	22	20	2	24	3	3	16	15	102
Dry Wall	3	2	6	2	8	4	2	10	1	1	4	11	16
Electrical	7	3	6	9	16	60	6	68	11	5	35	93	109
Mechanical	4	4	1	1	5	4	1	5	-	-	-	-	18
Plumbing and Heating	4	1	1	1	5	4	1	5	-	-	-	-	18
Floor Covering (except wood)	4	1	1	1	5	4	1	5	-	-	-	-	18
Glass and Glazing	1	1	1	2	2	2	-	2	-	-	-	-	18
Insulation	1	1	1	2	2	2	-	2	-	-	-	-	18
Painting	1	1	1	1	2	2	-	2	-	-	-	-	18
Roofing	1	1	1	1	2	2	-	2	-	-	-	-	18
Sheet Metal	1	1	1	1	2	2	-	2	-	-	-	-	18
Tile and Terrazzo (precast and poured)	1	1	1	1	2	2	-	2	-	-	-	-	18
Welding and Demolition	1	1	1	1	2	2	-	2	-	-	-	-	18
Other	1	1	1	1	2	2	-	2	-	-	-	-	18
Trade Business	1	1	1	1	2	2	-	2	-	-	-	-	18
Related Trades	1	1	1	1	2	2	-	2	-	-	-	-	18
Building Maintenance*	1	1	1	1	2	2	-	2	-	-	-	-	18
Totals	252	149	106	255	407	492	42	534	107	78	334	868	1,275

*Building maintenance firms were not included in the survey of Chicago and San Francisco-Oakland.
 SOURCES: Data were compiled from membership and mailing lists of minority contractor associations, from Black Business directories, from referrals by suppliers, unions and contractors, from lists of contractors prepared by civil rights groups, from the City of San Francisco's Office of Minority Affairs, from the City of Chicago's Office of Minority Affairs, from inspections of building files, from newspaper advertisements, from telephone directories, and (in brackets) from referrals obtained through an advertisement on a Spanish Community affairs television program.

moved or otherwise gone out of business. Others have unlisted telephone numbers or no telephone at all. New firms have been started as well.

General building contractors accounted for 28 percent of the businesses identified, although many of these firms were little more than carpentry contractors working on small remodeling jobs. Asian Americans had proportionately the most in the "General Building Contractor" category whereas Spanish American contractors had the least. The strongest black general contracting firms were found in Atlanta and San Francisco-Oakland. Overall, probably the strongest contingent of specialty contractors were found in Chicago.

Among specialty contractors, patterns show some significant similarities between cities. Minority contractors are virtually absent from trades such as elevator and escalator contracting, highway and street construction, and rare in sheet metal work, excavation and grading, glass and glazing, and ironwork (especially structural ironwork). They are most numerous in painting and (except among blacks in San Francisco) in carpentry. Also, they are relatively numerous in plumbing and electrical work.

Beyond these similarities, there are unique local concentrations. More than one out of four identified Mexican-American contractors in Houston is a tile contractor. Blacks in Atlanta are heavily concentrated in masonry, whereas blacks in Houston are most strongly represented in concrete work. Japanese American firms in San Francisco-Oakland are almost exclusively landscaping contractors.

Of the 1,275 minority construction contractors reportedly economically active identified in Atlanta, Houston, Chicago, and San Francisco-Oakland, 315 or 25 percent were interviewed for this study. Table 5 gives a distribution of contractors interviewed by their construction specialty.

The interview sample provides best coverage among the larger, more established minority contractors. Whereas Minority Owned Business: 1969 reported only one out of four minority construction firms have paid employees, four out of five contractors interviewed had at least one employee on the payroll. In total, interviews were conducted with

⁶ See, for example, U. s. Department of Housing and Urban Development, Office of Assistant Secretary for Equal Opportunity, Registry of Minority Construction Contractors (Washington, D.C.: Government Printing Office, 1970), p. 5.

Table 6
Economically Active Contractors Interviewed, by City, Ethnic/Racial
Background and Specialty

Specialty	ATLANTA			CHICAGO			SAN FRANCISCO-OAKLAND			SUBTOTAL, cities in South			SUBTOTAL, cities in non-South			Total minorities, all cities	Total White		
	Black	Spanish		Black	Spanish		Black	Spanish		Black	Spanish		Black	Spanish					
		5	0		13	7		4	7		11	37		0	1			10	1
General contractors	13	5	0	13	4	7	11	37	0	1	10	1	1	1	48	59	85	11	
Sub of specialty contractors																			
Acoustical	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Air conditioning, heating, refrigeration	6	1	6	7	3	1	4	2	2	2	1	4	2	2	4	2	2	2	2
Concrete	5	-	-	5	2	4	7	1	1	1	1	4	1	1	4	6	21	-	-
Contract (including paving)	2	-	-	2	1	1	3	1	1	1	1	3	1	1	3	6	21	3	3
Dry wall	2	-	-	2	1	1	3	2	1	1	1	3	2	2	5	6	7	-	-
Electrical	2	-	-	2	1	1	3	4	2	2	4	1	1	1	18	22	19	2	2
Elevator and escalator	1	-	-	1	1	1	2	1	1	1	1	2	1	1	4	5	6	-	-
Excavating and grading	1	-	-	1	1	1	2	1	1	1	1	2	1	1	4	5	6	-	-
Finish (except wood)	1	-	-	1	1	1	2	1	1	1	1	2	1	1	4	5	6	-	-
Floor (wood)	1	-	-	1	1	1	2	1	1	1	1	2	1	1	4	5	6	-	-
Glazing	1	-	-	1	1	1	2	1	1	1	1	2	1	1	4	5	6	-	-
Ironing, construction materials	1	-	-	1	1	1	2	1	1	1	1	2	1	1	4	5	6	-	-
Ironwork -- ornamental, structural, trussing, fencing	1	-	-	1	1	1	2	1	1	1	1	2	1	1	4	5	6	-	-
Landscape	1	-	-	1	1	1	2	1	1	1	1	2	1	1	4	5	6	-	-
Masonry -- brick, block, and stone	7	1	1	9	1	1	2	1	1	1	1	2	1	1	5	9	11	2	2
Painting, decorating, paperhanging	3	1	1	5	1	1	2	1	1	1	1	2	1	1	2	3	4	2	2
Planting and landscaping	1	-	-	1	1	1	2	1	1	1	1	2	1	1	4	5	6	-	-
Roofing	4	-	-	4	1	1	5	1	1	1	1	2	1	1	20	21	10	4	4
Roofing (wood shingle, composition, built-up)	2	-	-	2	1	1	3	2	1	1	1	2	1	1	13	18	29	8	8
Sheet metal	1	-	-	1	1	1	2	1	1	1	1	2	1	1	4	4	5	1	1
Tile and terrazzo (precast and poured)	2	-	-	2	1	1	2	1	1	1	1	2	1	1	4	4	5	2	2
Wrecking and demolition	1	-	-	1	1	1	2	1	1	1	1	2	1	1	3	4	5	18	1
Other	1	-	-	1	1	1	2	1	1	1	1	2	1	1	4	5	6	5	5
Related Trades	2	-	-	2	1	1	3	1	1	1	1	2	1	1	4	5	6	5	5
Building maintenance	2	-	-	2	1	1	3	1	1	1	1	2	1	1	4	5	6	5	5
Totals	53	15	53	64	37	18	45	92	25	0	18	6	2	151	196	315	25	25	

NOTE: Personal interviews with contractors. Data for Atlanta and Boston were gathered in 1971. Data for Chicago and San Francisco-Oakland were collected during 1973-1974.

263 contractors with paid employees, or 43 percent of the number of firms with employees found by the census, Minority-Owned Business: 1969, in the four metropolitan areas.

Characteristics of Contractors Interviewed

The most outstanding feature of the population of minority contractors interviewed was their extreme diversity in terms of background, attitudes, capability, and experience. Having interviewed several hundred minority contractors, one would find it difficult to construct a stereotype minority contractor.

Nevertheless, there are some significant patterns which hold true for large portions of the contractors. Some of the patterns vary significantly by minority group, by geographic area, or by type of contractor.

The average current age of the minority contractors interviewed was 45 years (see Table A-1) and they had an average of 10.9 years of experience as contractors. More than seven out of ten had begun their businesses before 1968 when the current efforts to promote "Black Capitalism" or "Minority Enterprise" began. Thus, although the data show a strong rate of business formation since 1968, most minority construction enterprises were begun much before then.

By and large, the contractors interviewed did not reside in disadvantaged ghetto areas. Outside of San Francisco-Oakland, where the Model Cities area is unusually extensive, 45 percent of the contractors had either a home or business located within Model Cities boundaries. It would appear from these data that any program aimed exclusively at Model Cities area contractors would be doomed to reach a few of the existing enterprises (and typically, the marginal ones).

Many of the general contractors built their businesses from the beginnings as specialty contractors. Almost without exception, the specialty contractors were craftsmen before they became contractors. On the average, these craftsmen-turned-contractors had 21.7 years of experience at their trade.

Training sources for contractors who began as craftsmen are summarized in Table A-6. A majority of those contractors with trades report that they "picked up their trade

on the job" without formal training. Formal training sources varied significantly by geographic area. In the non-South cities where union participation was higher, apprenticeship was the most significant formal source of training. In Chicago and San Francisco 37 percent of the contractors had been trained in apprenticeship. By contrast, in Houston and Atlanta, only 9 percent had served apprenticeships. In the South, the predominant source of formal training was vocational education. Of those interviewed, 38 percent of the southern contractors indicated they had received some training in some form of vocational education. For northern contractors, the comparable figure was only 17 percent. A large portion of the most successful southern black general contractors, as well as those in the plumbing and electrical specialties, learned their skills in black colleges, especially Tuskegee Institute in Alabama. However, only a handful of minority contractors in the non-South had learned their trade through a black college.

Patterns of union membership varied significantly by geographic area. (See Table A-12.) The incidence of prior union membership among minority contractors was high in Chicago (69 percent) and San Francisco (76 percent) as opposed to Atlanta (51 percent) and Houston (31 percent). Further, except for participation of Mexican Americans in Houston pipetrades unions, membership in the mechanical trades was almost nil in the South. In fact, several southern contractors in the mechanical trades explained that they initially went into business for themselves because they could not get into the unions. In Chicago and San Francisco, slightly more than a third of the contractors with union backgrounds had been members of mechanical trade unions.

The fact that minority contractors and subcontractors are -- by and large -- out of the mainstream of the construction industry is reflected in the record of their membership in trade associations. (See Table A-11.) Overall, 87 of 302 respondents (or 29 percent) stated that they do not belong to any association. An additional 143 contractors (or 47 percent) said that they belonged to minority contractors' associations exclusively. Only 70 contractors (or 23 percent) mentioned holding membership in a non-minority contractors' association.

The few minority contractors who are members of predominantly white associations were usually enthusiastic about the benefits of their membership. Many indicated that these

groups are a good means for minority subcontractors to make contact with and establish working relationships with white general contractors. Others mentioned the educational benefits of the occasional seminars and lectures sponsored by their organizations. In addition, two minority members of the Associated Building Contractors in Houston expressed enthusiasm about newly available labor training opportunities through their organization.⁷

Generally, the capabilities of the contractors interviewed were limited by their lack of business experience and training, although there were many exceptions and a wide diversity in experience and capabilities among individuals. Overall, only one out of three had business experience and less than a third had business training of any kind before establishing their construction firms. Approximately half of the respondents had neither. (See Table A-4.)

All but a handful of minority contractors interviewed had started their own business (rather than inheriting it); and as true entrepreneurs, they possess the characteristics which have been attributed to other groups of entrepreneurs by previous studies. Contractors generally founded their businesses at a relatively young age; the average age for founding the firms surveyed was 34.4 years. (See Table A-2.) They are a highly mobile group. Three-quarters of the blacks had moved to their present locations from other places, many from rural areas in the South. An unusually high proportion of the Spanish-American contractors were foreign born. In general, the contractors tended to be more highly educated than counterparts in the population (see Table A-3). The majority of the contractors had a relative in construction (see Table A-9). Although few contractors inherited their business and few had fathers in the same type of business, the majority of the contractors had a father who was self-employed (see Table A-10).⁸

⁷See "Open Shop Apprenticeship Programs Approved," Engineering News-Record (June 10, 1971), p. 68.

⁸This finding concurs with other studies on the subject. Lewis D. Davids, Characteristics of Small Business Founders in Texas and Georgia (Washington, D.C.: University of Georgia for the Small Business Administration, 1963), found more than 50 percent of parents self-employed in both states.

Orvis F. Collins, David G. Moore, and Darob B. Unwalla, Enterprising Man (East Lansing: Bureau of Business and

These data confirm the hypothesis that a significant role model, who makes the entrepreneurial act credible, is a highly important variable in stimulating entrepreneurial activity.

There were many common features involved in the initiation of each business. First, there was a high incidence of moonlighting. Of the 315 contractors interviewed, at least 98 had begun their businesses on a part-time basis while they worked on regular jobs. Apparently, moonlighting enables a contractor to gain some experience and test the market before plunging in full time. Second, very few contractors obtained initial capital from outside sources. Twenty-four (or 10 percent) of the contractors responding had received any assistance with initial financing from banks or savings and loan institutions. Only 11 of 334 (or 5 percent) of the contractors responding had obtained initial capital from the Small Business Administration loan programs. Although other sources, such as customer advances, supplier credit, and loans from family, friends, or previous bosses, were occasionally used, the contractors themselves were by far the primary source of their firms' "start-up" capital. Many of the contractors added that they did not need much capital to get into business, although many suggested that they would have required more if they were to "get into business properly" (i.e., properly financed). Third, the decision to form a business was often influenced by common factors: various positive influences, such as the encouragement and support of a builder or general contractor; or negative influences, such as being denied union membership.

Economic Research, Graduate School of Business Administration, Michigan State University, 1964), found 25 percent of fathers self-employed and an additional 19 percent of them farmers.

Edward B. Roberts and Herbert A. Wainer, "Technological Transfer and Entrepreneurial Success," paper presented at the Twentieth National Conference on the Administration of Research (Miami Beach, Florida, October 27, 1966), found 50 percent of fathers self-employed.

Kirk Draheim, Richard P. Howell, and Albert Shapero, The Development of a Potential Defense R&D Complex: A Study of Minneapolis-St. Paul, R&D Studies Series (Menlo Park, California: Stanford Research Institute, 1966), concluded that the father "in many instances" was himself an entrepreneur or executive.

Once established in business, the contractors generally work only for their own firms. This finding is contrary to conventional wisdom which contends that minority contractors drift in and out of contracting. It is presumed that they contract when the market is good one day, and go to work as an employee for another contractor the next. The data indicate this presumption to be true only for marginal contractors and moonlighting contractors who are just starting their businesses. The more established contractors never work for someone else (see Table A-14).

Characteristics of the Firms

Type of Work Performed

Overall, almost half of the minority firms are engaged in residential work either exclusively or predominantly, although the pattern varies geographically (see Table A-22). The reliance upon residential construction is a little heavier among contractors in the South than in the non-South. Black contractors in Chicago seem to perform residential work the least.

Such heavy reliance on residential construction makes many minority contractors more vulnerable to the frequent downturns in residential construction due to changes in the interest rate. Residential construction markets are much more prone to instability than are commercial/industrial markets and this concentration on residential markets makes for greater business risks.

Regarding government work, 79 percent of the contractors in the non-South indicated that they had performed at least one government job by 1973-74 whereas only 48 percent of the southern contractors interviewed in 1971 indicated they had performed any government work. (See Table A-23.) Federal contracts and Federally-financed contracts with local government (chiefly Model Cities and urban development projects) accounted for a preponderance of the Government work performed. Contracts from state governments were not mentioned by a single contractor in the South and only one out of five contractors in the non-South.⁹

⁹The issue of Government work and the minority contractor is treated in greater detail in Chapter 4 of this paper.

As illustrated in Table 4, most of the contractors in the cities studied are specialty contractors, and even among those classified as "general" contractors, most are remodeling and repair specialists. Nationally, the Bureau of the Census survey of minority-owned business in 1969 showed 83 percent of the black-owned construction firms and 72 percent of the construction firms owned by Mexican Americans in the category of "special trade contractors."

Income

The bulk of the contractors interviewed were in lower income categories (see Table A-1). In terms of annual gross dollar volume of work performed, 47 percent of the contractors interviewed grossed \$50,000 or less the previous year. (Among the southern contractors, 60 percent fit into this category.)

The considerable inequality which exist among minority firms is apparent in the Lorenz curve presented in Chart 1, which has been compiled from data in Tables 6 and 7. As the curves illustrate, inequality increased slightly over the period, 1969 to 1973. As Table 8 reveals the major factor behind the increasing inequality is the strong (48 percent) increase in income going to firms in the gross income category of \$500,000 or more in 1969.

These data are an indicator of large gains for a few minority firms during the 1969 through 1972 period. Although there were exceptions and a wide dispersion in performance, generally the few minority firms which were already established in 1969 (i.e., with 10 or more employees) had the opportunity to grow and took advantage of it.

As a final point, the last column in Table 7 shows that the growth in total aggregate income from 1969 to 1972 for all 81 minority firms responding was 55 percent.¹⁰ For the sake of comparison, it is instructive to note that the rate of growth in reported total domestic contracts of firms named on the Engineering News Record "Top 400 Listing" rose only 32 percent from 1969 to 1972. Further,¹¹ among the top ten firms, the growth rate was 26 percent.

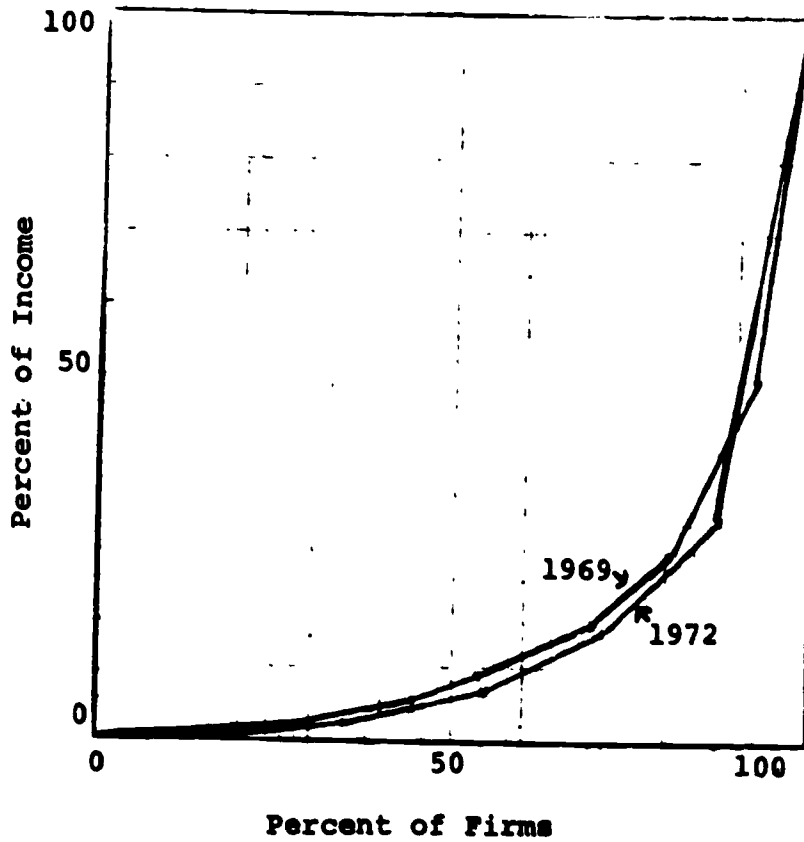
¹⁰The reader should be cautioned that since this is a retrospective analysis, it does not take into account firms which went out of business during the period of 1969-72. Considered only are firms in business both in 1969 and 1972. However, since there is no evidence to indicate that larger firms went out of business at greater rates than smaller firms (rather the opposite), the conclusion drawn from limited analysis should not be overturned.

Further, the data on gross income was usually reported from memory by the minority contractors in the interviews. No attempt was made to verify income data provided.

¹¹Data calculated from Engineering News Record (April 9, 1970 and April 12, 1973 issues).

Chart 1

Inequality in Gross Income for Minority
Construction Firms Interviewed in Chicago and San Francisco,
1969 and 1972



Note: Data for this chart include only firms which reported gross income in 1969 and 1972.

SOURCE: Derived from Tables 5 and 6.

Table 6

Distribution of Number of Minority Firms among Gross Income Categories, 1969 and 1970, Chicago and San Francisco-Oakland

Gross Income Categories	(a) 1969		(b) 1972		(c)		c/1
	Total	Percent	Total	Percent	(a-b) 2		
\$25,000 or less	23	28.40%	17	20.94%	36		1.57
25,000 - 50,000	13	16.05%	11	13.58%	4		.31
50,001 - 75,000	8	9.88%	8	9.88%	-		-
75,001 - 100,000	12	14.81%	8	9.88%	16		1.33
100,001 - 200,000	9	11.11%	14	17.28%	25		2.78
200,001 - 500,000	10	12.36%	13	16.05%	9		.90
500,001 or more	6	7.41%	10	12.36%	16		2.67
Total	81	100.00%	81	100.00%			9.56*

*X² = 9.56 at six degrees of freedom significant at 85 percent level.

SOURCE: Personal interviews with minority construction contractors. Data include only firms reporting gross income both in 1969 and in 1972.

Table 7

Distribution of Gross Income Among Gross Income Categories,
for Minority Construction Firms, 1969 and 1972: Chicago and San Francisco-Oakland

Gross Income Categories	1969		1972		Percentage Growth Rate for all firms 1969-1972
	Total Income (in thousands)	Percent	Total Income (in thousands)	Percent	
\$25,000 or less	312	2.1	260	1.0	
25,001 - 50,000	517	3.5	411	1.4	
50,001 - 75,000	527	3.6	507	1.9	
75,001 - 100,000	1,045	7.0	730	2.7	
100,001 - 200,000	1,459	9.8	2,110	7.8	
200,001 - 500,000	3,509	23.6	4,539	16.8	
500,001 or more	7,500	50.4	18,500	68.4	
Total	14,869	100.0	27,057	100.0	55%

SOURCE: Personal interviews with minority contractors during 1973-74. Data include only firms reporting gross income both in 1969 and in 1972.

Table 8

Distribution of Average Income Among Gross Income Categories for Minority Construction Firms, 1969 and 1972: Chicago and San Francisco-Oakland

<u>Gross Income Categories</u>	<u>1969</u>	<u>1972</u>	<u>Percentage Change 1969-1972</u>
\$25,000 or less	14	15	7.1
25,001 - 50,000	40	37	(-7.5)
50,001 - 75,000	66	63	(-4.6)
75,000 - 100,000	87	91	4.9
100,001 - 200,000	162	151	(-6.8)
200,001 - 500,000	351	349	(-.6)
500,000 or more	1,250	1,850	48.0

SOURCE: Personal interviews with minority contractors during 1973-1974. Data include only firms reporting gross income both in 1969 and 1972.

Employment

As illustrated in the Lorenz curve displayed in Chart 2, considerable inequality exists in the distribution of number of employees on the payroll in minority firms at the time of the interview. In fact, 20 percent of the black and Spanish American firms accounted for more than 70 percent of the total employment among firms interviewed. Among other Asian American and American Indian firms, the inequality is not as high; 20 percent of the firms accounted for just over 50 percent of total employment.

Among 293 firms responding in the four SMSA's, there were 43 (or 15 percent) with no employees at all. An additional 116 firms (or 40 percent) had only one to three employees. At the other end of the scale, 62 firms (or 21 percent) had ten or more employees. Only four firms (or 1 percent) had 50 or more employees (see Table A-27).

According to aggregate Census data, minority firms in the four SMSA's employed only a small fraction of the construction labor force in those labor markets. As illustrated in Table 9, the percentages for Atlanta, Houston, Chicago, and San Francisco-Oakland were 1.4 percent, 1.5 percent, 0.4 percent and 1.4 percent respectively.

Chart 2

Inequality in Numbers of Workers Employed by Minority Firms,
Expressed as a Lorenz Curve: by Racial/Ethnic Background

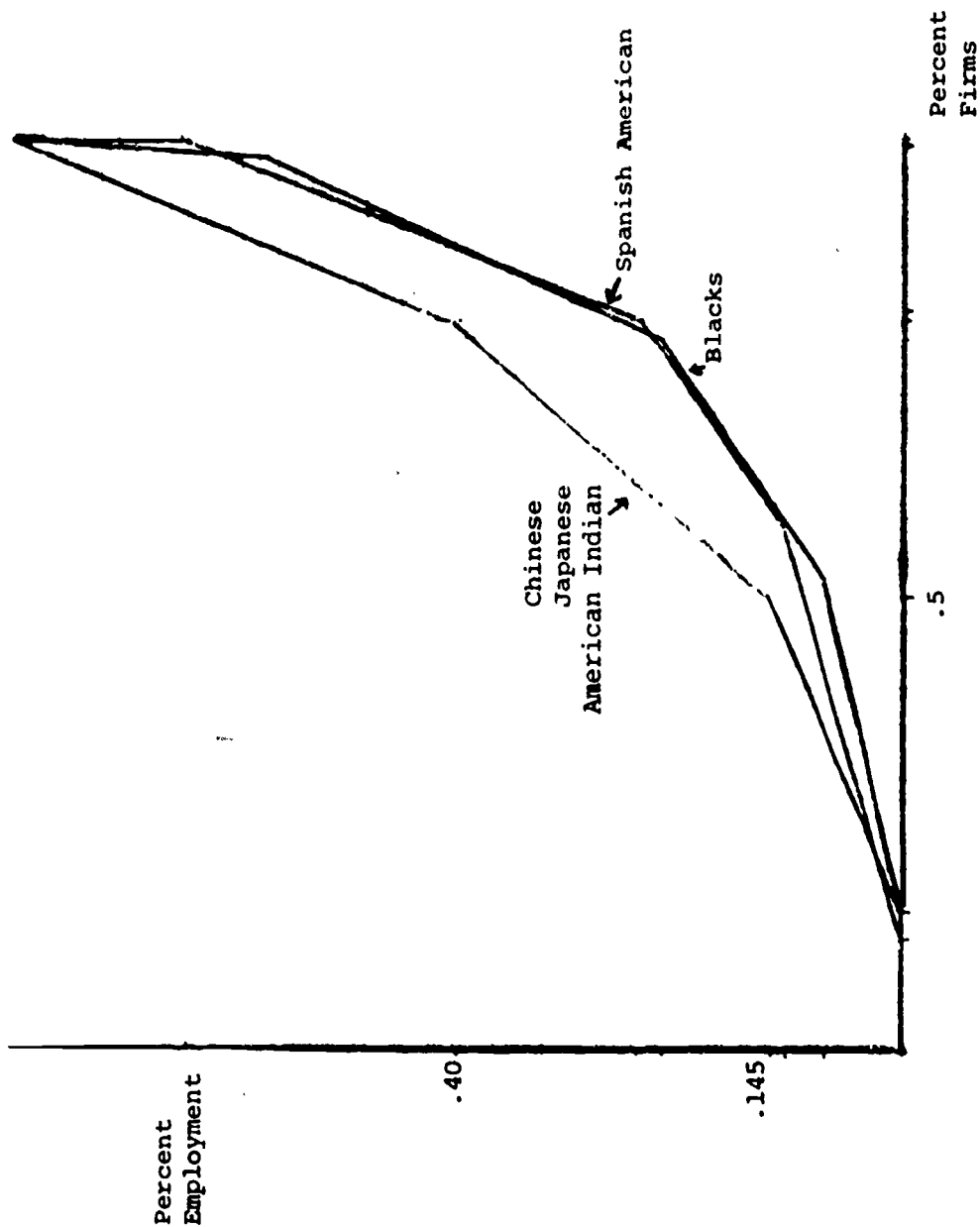


Table 9
Employment in Minority Firms as a Percentage of Total Employment
in Contract Construction by MSA, 1969

Ranking by Percentage of Total Construction Employment Employed in Minority Firms	(a) Total Employment vs. Contract Construction, 1969	(b) Total Number Employed by Minority Firms, 1969	(c) Employment in Minority-Owned Firms as a Percent of Total Employment in Contract Construction, 1969
El Paso, Tx. (1)	5,800	957	16.5%
San Antonio, Tx. (2)	15,300	1,251	8.2%
Albuquerque, N.M. (3)	6,500	484	7.5%
Sakerefield, Ca. (4)	5,000	171	3.4%
Fresno, Ca. (5)	4,900	143	2.9%
New Orleans, La. (6)	22,200	401	1.7%
Memphis, Tenn.-Ark. (7)	14,500	346	2.4%
San Bernardino-Riverside-Ontario, Ca. (8)	13,700	298	2.2%
Mobile, Ala. (9)	6,500	120	1.9%
Tucson, Ariz. (10)	9,400	164	1.7%
San Jose, Ca. (11)	19,400	317	1.7%
Dallas, Tx. (12)	38,100	634	1.7%
Los Angeles-Long Beach, Ca. (13)	106,900	1,678	1.6%
Jacksonville, Fla. (14)	13,000	195	1.5%
Houston, Tx. (15)	66,800	989	1.5%
San Diego, Ca. (16)	20,600	292	1.4%
Atlanta, Ga. (17)	35,700	487	1.4%
San Francisco-Oakland, Ca. (18)	62,700	846	1.4%
Miami, Fla. (19)	22,600	352	1.5%
Detroit, Mich. (20)	64,100	654	1.0%
Richmond, Va. (21)	15,300	155	1.0%
Denver, Co. (22)	25,400	251	0.9%
Sacramento, Ca. (23)	11,700	111	0.9%
Birmingham, Ala. (24)	15,200	136	0.9%
Phoenix, Ariz. (25)	18,700	144	0.8%
St. Louis, Mo.-Ill. (26)	40,900	308	0.7%
Cleveland, Ohio (27)	30,700	271	0.7%
Washington, D.C. (28)	67,800	457	0.7%
Cincinnati, Ohio-Ky.-In. (29)	22,500	131	0.5%
Newark, N.J. (30)	32,500	152	0.5%
Norfolk-Portsmouth, Va. (31)	13,400	62	0.5%
Philadelphia, Pa.-N.J. (32)	86,300	377	0.4%
Minneapolis-St. Paul, Minn. (33)	40,400	162	0.4%
Chicago, Ill. (34)	127,800	518	0.4%
Baltimore, Md. (35)	42,000	158	0.4%
Boston, Mass. (36)	57,100	181	0.3%
Pittsburgh, Pa. (37)	44,700	89	0.2%
Kansas City, Mo.-Ka. (38)	23,400	38	0.2%
New York, N.Y.	-	622	-
Laredo, Tx.	-	100	-
Corpus Christi, Tx.	-	327	-
Brownsville-Marlingen-San Benito, Tx.	-	125	-

SOURCE: Data in column (a) was taken from U.S. Department of Labor, Bureau of Labor Statistics, Employment and Earnings: Status and Trends, 1977-78, Bulletin 1370-10, Washington, D.C.; U.S. Government Printing Office, 1977. Data in column (b) was taken from U.S. Bureau of the Census, Minority-Owned Businesses, 1969, Report MS-1, Washington, D.C.; U.S. Government Printing Office, 1971, Table 6.

As the foregoing data demonstrate, the Census figures on employment may considerably understate the employment potential of minority firms.

Furthermore, gross figures such as the data previously presented are deceptive and may understate the employment-generating potential of minority contractors in particular trades and particular local labor markets. For example, although the overall percentage of construction employed in minority shops in the San Francisco-Oakland SMSA amounted to only 1.4 percent in 1969, the total peak employment of minority electrical contractors in the Oakland area during the period approximately 1969 through 1974 amounted to 108 workers, a number equivalent to 10.8 percent of the reported total membership of 1,000 in Oakland IBEW Local 595 in 1971-72.¹²

On the other hand, the nine reportedly active minority plumbing contractors in Atlanta in 1971 employed an estimated peak of 19 workers, a figure equal to 1.9 percent of the total membership of 1,000 in the Atlanta Plumbers and Steamfitters Local 72.¹³ Furthermore, all but one of these contractors were 55 years of age or older -- an unlikely group of candidates for upgrading. It is clear from the foregoing that the potential for upgrading minority firms in construction and for utilizing them for assisting to integrate building trades unions varies by place, trade and time.

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Total union membership figures are cited in Ray Marshall, William S. Franklin, and Robert W. Glover, Training and Entry into Union Construction, Washington, D.C.: U.S. Government Printing Office, 1975, Table 14.

It must be cautioned however that not all employees of these minority electrical firms were journeymen electricians. Some were clerical workers, laborers, or electricians helpers.

¹³Ibid., Table 22.

Racial Composition of Employment

According to responses by minority contractors, 1,343 of the 2,234.5 (or 60 percent) of the total number of employees currently on the payroll were minority. The tendency for minority contractors to hire minority employees varies somewhat by racial/ethnic background. It is highest among Asian Americans (71 percent), then blacks (62 percent) and lowest among Spanish Americans (53 percent).

Although, on average, all the above figures were considerably above the minority work force percentages for the white contractors in San Francisco interviewed (30 percent); affirmative action officers interviewed pointed out several examples of individual nonminority firms which employed larger percentages of minority workers than did competing minority firms.¹⁴ One of the striking impressions observed in the interviews and in our first casual examination of the data was that the larger the minority firm, the larger is its proportion of nonminority workers. It may be reasoned that as a minority contractor grows and expands his work force, he tends to rely on sources of labor outside the minority community, such as union hiring halls. To check this observation more carefully, we tested the rank correlation of size of firm to proportion of minorities in the work force and obtained the following results:

<u>Racial/Ethnic Group</u>	<u>R²*</u>
Other nonwhites (Asian American, American Indians)	-.17
Blacks	-.33
Spanish Americans	-.49

*The values are significant at the 99 percent level for blacks and Spanish Americans. For other nonwhites, the value is significant at the 60 percent level.

Thus, a strong but not complete negative correlation holds between firm size of minority firms and the proportion of minority workers. It is strongest among Spanish American firms, then blacks, and finally Asian American firms.

¹⁴Personal interview with Chet V. Brookins, labor relations and EEO Officer, Henry C. Beck Company (San Francisco, January 28, 1974), and personal interview with Stanley Lim, employment representative, Human Rights Commission of San Francisco (San Francisco, May 16, 1972).

South - Non-South Differences

There are some significant differences between patterns in southern cities and those in Chicago and San Francisco.

Perhaps the most striking difference is that whereas more than nine out of 10 minority firms in the South are nonunion, three out of four firms in the non-South are unionized (see Table A-17). Minority contractors in heavily unionized environments operate unionshops themselves. There were only two exceptions to this non-South pattern -- Spanish American contractors in Chicago who, as a group, are very disadvantaged and Chinese American contractors in San Francisco, who work in historically nonunion Chinatown.

Interestingly, when asked about unions, a few of the southern contractors expressed desire to become unionized but felt it was currently an impossible situation for them. One interviewee -- a Mexican-American plumbing contractor -- had worked under a union contract but dropped it after a couple of years when he could not find sufficient contracts to support the union wages he was paying. Another contractor responded to the question, "Do you operate a union shop?" with the remark, "I wish I were into that gravy! But I couldn't find enough good jobs to support it."

A second major difference was that while not a single joint venture between a black and white firm was found in the South, such experience was relatively common among minority contractors in the non-South (16 percent had joint ventured with a white firm; see Table A-49).

Thirdly, southern minority contractors were more likely to work exclusively or primarily in residential construction markets than their northern counterparts (see Table A-22) and less likely to participate in Government work (see Table A-23).

Fourthly, contractors in Houston and Atlanta were more concentrated in lower income and employment categories than contractors in Chicago and San Francisco. For example, 41 percent of the contractors in the South grossed \$25,000 or less whereas only 25 percent of the contractors in the non-South were in this category. And 59 percent of southern contractors had three or fewer employees whereas among their counterpart respondents, 51 percent had three or fewer employees.

Fifthly, greater proportions of contractors in the South tended to operate informally. For example, 19 percent of minority contractors in the South reported that they relied predominantly on verbal contracts. (See Table A-19.) Among black and Spanish-heritage contractors in the non-South, the comparable figure was only 9 percent (Asian American contractors -- perhaps for cultural reasons -- tended to follow the pattern found among the southern contractors). Another indicator of the informality among southern firms was the incidence of those who did not carry liability of workers' compensation insurance. Whereas 34 of 104 respondents (or 33 percent) in the southern cities reported not carrying any insurance at all, only 10 of 181 respondents in the non-South reported having no insurance (see Table A-20). Of the southern contractors interviewed, approximately 10 percent operated without business license or registration of any kind. This in effect makes their business illegal and puts them in an unfavorable position in setting rates. Southern contractors were also more likely to operate out of their homes (see Table A-18), and operate without benefit of corporate status (see Table A-16), and are more likely to rely on informal sources for jobs and labor (see Tables A-45 and A-46).

Finally, southern contractors were much more likely than their counterparts in Chicago and San Francisco to rely on themselves for financing rather than applying to a financial institution for financing (see Table A-39) and much less likely to have applied for bonding (Table A-43).

Problems of Spanish American and Asian American Contractors

Spanish American contractors are generally at greater disadvantage than blacks. They generally have smaller business, are less well informed about Government programs such as the SBA assistance efforts, have less prior training or business experience, operate their businesses more informally, and are less likely to have formal training programs for their employees. The contrasts were especially marked in Chicago and Houston.

The problems of the Spanish American are further complicated by the fact that many Spanish Americans who have succeeded no longer identify with others in their minority group. Perhaps this was best expressed by comments made by two of the most prosperous of the Mexican American contractors in Houston.

They [the Mexican American Contractors Association] have the wrong approach. Even using the name "Mexican American" is self defeating. We are of Mexican extraction and that is as far as it goes. They don't seem to realize they are American before anything else.¹⁵

I don't believe in the MACA approach. That is segregating yourself. It is just like the Mexican American Chamber of Commerce. Why not join the regular Chamber of Commerce?¹⁶

Some less prosperous contractors also express the same attitude. As one Mexican American in Houston stated:

¹⁵ Confidential communication (1971).

¹⁶ Confidential communication (1971).

They [MACA] never help me. I don't think they can help me. I am an American and I can get work if I need it.... I may have to go a little lower on price, but I can get it.¹⁷

Among Asian American contractors in San Francisco, Japanese contractors interviewed were more established than Chinese contractors in terms of gross income, size of largest contract performed, number of employees, degree of unionization, and other indicators.

Furthermore, only the relatively advantaged Chinese contractors were interviewed in this study. Some Chinese contractors do not speak English and, therefore, are confined to working with Chinese customers. Several others operate nonunion shops (Chinese contractors are the least unionized of any minority in the San Francisco area). To avoid union organization pressures, they operate exclusively in Chinatown. Many Chinese contractors are reluctant to undertake Government jobs, for fear of encountering union pressures.¹⁸ Their rationale is that if they became unionized and paid union wage rates, they would become noncompetitive in Chinatown where their "bread and butter" jobs are located. One of the chief aims of ASIAN, Inc., an economic development corporation which assists Asian American businessmen in the Bay area, is to encourage and assist the more qualified contractors to take the risk of performing jobs outside of Chinatown and to surmount the barriers which a limited minority market presents to growth.¹⁹

¹⁷Confidential communication (1971).

¹⁸The sole exception to this statement appears to be work on military bases, where unions are forbidden to picket.

¹⁹Personal interview with John Schulman, business consultant, ASIAN, Inc., San Francisco (December 20, 1973).

Summary and Conclusions

From the present survey and previous studies and surveys made by the NAACP,²⁰ Shapiro,²¹ and the U. S. Bureau of the Census,²² the following conclusions about minority contractors may be drawn:

(1) Although it is now known that there are more minority firms in construction than was estimated in 1969, minority contractors are relatively few in number and typically small enterprises. In fact, the large, successful minority contractor is such a rarity that he is a news item.²³

(2) The results of the drive to promote minority capitalism in the latter 1960's and early 1970's shows a mixed record in construction. Drawing on data collected in Chicago and San Francisco, we find that many larger firms --

²⁰U. S. Department of Housing and Urban Development, Assistant Secretary for Equal Opportunity, A Survey of Minority Construction Contractors (Washington, D.C.: U. S. Government Printing Office, 1970).

²¹Theresa R. Shapiro, "Black Builders in Greater New Orleans," Louisiana Business Review, Vol. 2, No. 3 (July, 1971), pp. 10-12.

²²U. S. Bureau of the Census, Minority-Owned Business: 1969. Report No. MB-1 (Washington, D.C.: U. S. Government Printing Office, 1971).

²³See, for example, the cover story on New York City's F. W. Eversley, "Fred W. Eversley Aims for the Top," Engineering News-Record (July 31, 1969), pp. 47-48, 31; or more recently, the cover story, "A Successful Black Contractor's Advice on How to Succeed: Get Big," Engineering News Record (September 9, 1971), pp. 18-19.

Or check the front page article on Winston A. Burnett by David DuPues, "Harlem-Based Concern Dents an White Preserve, the Construction Field," Wall Street Journal (November 3, 1969), p. 1.

Similarly, see "John W. Winters: Home-Building Contractor" in John Seder and Berkeley G. Burrell, Getting it Together (New York: Harcourt Brace Jovanovich, Inc., 1971). Chapter 9, pp. 84-104.

those with 10 or more employees -- have benefitted much from the opportunities made available during this period.²⁴ Unfortunately, however, these firms comprise only a tiny portion of minority enterprise in construction. Medium-sized firms -- those with three to nine employees -- show strong gains as well, their work volumes having grown almost twice as fast over the period 1969 to 1972 as the volumes of the top 400 firms in construction as cited in Engineering News Record. The smallest firms (zero to two employees) -- the most numerous classification -- report the smallest gains. In summary, it appears that minority capitalism has benefitted a few of the larger contractors but left the bulk of firms in relatively the same position they were before it all began.

(3) Most minority firms operate outside of the mainstream of the construction industry and do not have high visibility. The majority do not advertize and are not listed in the yellow pages of the telephone book. Only 23 percent of the contractors hold memberships in nonminority trade associations. Sixty-one percent of the contractors work out of their home rather than an office.

(4) Significant contrasts between minority contractors in the South and non-South appeared. Southern minority contractors are almost totally nonunion whereas three out of four non-South contractors interviewed were unionized. Joint ventures between minority and nonminority firms were totally absent in the South whereas 16 percent of minority contractors had participated in at least one such venture. Southern contractors also tended to work more in residential work and were less likely to have performed any government jobs. Greater proportions of contractors in Houston and Atlanta operated their firms on an informal basis and had not applied for bonding or bank loans.

²⁴ Not all the larger contractors have gained, of course. There have been some dramatic casualties due to overextension along the way, such as the Winston Burnett Corporation of New York City and Jackie Robinson's Corporation in Boston.

(5) Almost without exception, minority specialty contractors come to contracting through a trade. However, there appear to be other routes to general contracting, such as engineering, architecture, real estate. Although the contractors tend to be more highly educated than their counterparts in the city population, their current capabilities as contractors are limited due to their lack of business experience and training.

Although the aforementioned statements are generally true, minority construction contractors as individuals fit no stereotypes. There exists a wide range in the quality of talent among them -- from the illiterate linoleum layer with no formal schooling who subcontracts his own labor and determines how much he has laid each day by counting the number of boxes of tiles he has emptied to the electrical contractor with a graduate degree in electrical engineering who designs and installs complex electrical systems for commercial buildings. Neither are all minority contractors hardworking honest men who would do much better if only they could become unshackled from the chains of discrimination. Many have the ability and desire to be doing much better than they presently are. But some with lesser talents would not be able to utilize opportunities if they had them, and some would only dig themselves into deeper trouble if they tried to take on such opportunities. Nevertheless, some have the potential for substantial upgrading in the form of obtaining more work, larger work, or better work; but they face certain obstacles to these goals.

CHAPTER 3

OBSTACLES TO UPGRADING THE MINORITY CONTRACTOR

Minority contractors face a multitude of problems in expanding their businesses. Interviews with the contractors were designed to try to identify the contractors' problems and to elicit information on their nature. Contractors were requested to specify the problems they face in attempting to expand their businesses and, if possible, to rank the principal three in order of their importance. Results of the ranking are indicated in tables in Appendix A. A summary of the responses is shown in Table 10. The answers were unprompted, and the tables show a classification of open-ended responses.

The results in the cities studied show similar patterns, especially for those problems most often mentioned. In all cities, financing -- especially interim financing -- was by far the chief concern of most contractors. The second most prevalent concern was labor, especially finding and keeping qualified workers. Lack of management skills followed as the third most important concern. A few contractors in each of the cities were concerned with bonding.

For some of the less mentioned problems, patterns varied considerably by city. For example, although marketing (finding jobs) was identified as a severe problem by 29 contractors in San Francisco-Oakland and six in Houston, none of Atlanta's black contractors and only one minority contractor in Chicago mentioned it. Likewise, cheap competition was noted to be a problem in San Francisco-Oakland by 16 contractors and in Houston by six, but only three contractors in Chicago and Atlanta together mentioned it.

Each problem area was probed in depth with the use of supplementary questions. Experience of the contractors was solicited. If they were successful in dealing with the problem, they were asked how they did it. If they encountered severe difficulties, they were asked to elaborate on their experiences.

Table 10
Chief Problems of Construction Contractors, as Reported by Contractors Themselves, by City and Ethnic/Racial Background

Problems	Atlanta		Houston		Subtotal Cities in South		Chicago		San Francisco-Oakland				Total	
	B	W	B	W	B	W	B	W	B	Sp	Ch	J		Am
Financing														
(a) Inaccessibility of funds	3	3	3	3	3	3	3	3	3	3	3	3	3	3
(b) Obtaining interest financing	1	1	1	1	1	1	1	1	1	1	1	1	1	1
(c) Obtaining capital requirements	1	1	1	1	1	1	1	1	1	1	1	1	1	1
(d) Obtaining financing for subcontractors	1	1	1	1	1	1	1	1	1	1	1	1	1	1
(e) Customers have difficulty obtaining financing	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Manpower														
(a) Lack of labor in general	12	6	3	2	3	2	3	3	3	3	3	3	3	3
(b) Lack of labor in skilled trades	1	1	1	1	1	1	1	1	1	1	1	1	1	1
(c) Lack of training	1	1	1	1	1	1	1	1	1	1	1	1	1	1
(d) Lack of supervisory personnel	1	1	1	1	1	1	1	1	1	1	1	1	1	1
(e) Lack of supervision of personnel	1	1	1	1	1	1	1	1	1	1	1	1	1	1
(f) Lack of motivation and training	1	1	1	1	1	1	1	1	1	1	1	1	1	1
(g) Lack of subcontractors	1	1	1	1	1	1	1	1	1	1	1	1	1	1
(h) Lack of equipment	1	1	1	1	1	1	1	1	1	1	1	1	1	1
(i) Lack of subcontractors	1	1	1	1	1	1	1	1	1	1	1	1	1	1
(j) Lack of subcontractors	1	1	1	1	1	1	1	1	1	1	1	1	1	1
(k) Lack of subcontractors	1	1	1	1	1	1	1	1	1	1	1	1	1	1
(l) Lack of subcontractors	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Other														
(a) Lack of equipment	1	1	1	1	1	1	1	1	1	1	1	1	1	1
(b) Lack of subcontractors	1	1	1	1	1	1	1	1	1	1	1	1	1	1
(c) Lack of subcontractors	1	1	1	1	1	1	1	1	1	1	1	1	1	1
(d) Lack of subcontractors	1	1	1	1	1	1	1	1	1	1	1	1	1	1
(e) Lack of subcontractors	1	1	1	1	1	1	1	1	1	1	1	1	1	1
(f) Lack of subcontractors	1	1	1	1	1	1	1	1	1	1	1	1	1	1
(g) Lack of subcontractors	1	1	1	1	1	1	1	1	1	1	1	1	1	1
(h) Lack of subcontractors	1	1	1	1	1	1	1	1	1	1	1	1	1	1
(i) Lack of subcontractors	1	1	1	1	1	1	1	1	1	1	1	1	1	1
(j) Lack of subcontractors	1	1	1	1	1	1	1	1	1	1	1	1	1	1
(k) Lack of subcontractors	1	1	1	1	1	1	1	1	1	1	1	1	1	1
(l) Lack of subcontractors	1	1	1	1	1	1	1	1	1	1	1	1	1	1
(m) Lack of subcontractors	1	1	1	1	1	1	1	1	1	1	1	1	1	1
(n) Lack of subcontractors	1	1	1	1	1	1	1	1	1	1	1	1	1	1
(o) Lack of subcontractors	1	1	1	1	1	1	1	1	1	1	1	1	1	1
(p) Lack of subcontractors	1	1	1	1	1	1	1	1	1	1	1	1	1	1
(q) Lack of subcontractors	1	1	1	1	1	1	1	1	1	1	1	1	1	1
(r) Lack of subcontractors	1	1	1	1	1	1	1	1	1	1	1	1	1	1
(s) Lack of subcontractors	1	1	1	1	1	1	1	1	1	1	1	1	1	1
(t) Lack of subcontractors	1	1	1	1	1	1	1	1	1	1	1	1	1	1
(u) Lack of subcontractors	1	1	1	1	1	1	1	1	1	1	1	1	1	1
(v) Lack of subcontractors	1	1	1	1	1	1	1	1	1	1	1	1	1	1
(w) Lack of subcontractors	1	1	1	1	1	1	1	1	1	1	1	1	1	1
(x) Lack of subcontractors	1	1	1	1	1	1	1	1	1	1	1	1	1	1
(y) Lack of subcontractors	1	1	1	1	1	1	1	1	1	1	1	1	1	1
(z) Lack of subcontractors	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Total respondents	49	17	14	11	15	12	15	15	45	32	7	3	3	202

This column includes the responses from one (1) American Indian contractor.
 SOURCE: Personal interviews with construction contractors. Data for Atlanta and Houston were obtained in 1971. Data for Chicago and San Francisco-Oakland were collected during 1972-1973.

Financing

Obtaining finances was identified most frequently by contractors in both cities as their primary business problem. Cited most often was the matter of obtaining interim financing to cover costs of materials and payrolls until the first payment (or "draw") for the job is made. One black general contractor in Atlanta claimed that most of his minority subcontractors could not last more than a week without a draw.¹

Inability to obtain interim financing limits the operations of minority contractors in many ways. It often prevents a minority contractor from obtaining a job or from undertaking it once the contract is in hand. An undercapitalized air conditioning contractor in Atlanta lamented, "I have to turn down jobs, such as one this morning, because I have bought all the equipment supplies I can this week."² Forty-two contractors in Chicago and the San Francisco area stated that they had turned down large jobs because they could not finance them. (See Table A-39.) Unavailability of financing certainly restricts the type of work a minority contractor is able to perform. Without adequate financing, a contractor must avoid jobs which pay off slowly or contracts on which there is provision for a retainage (usually 10 percent). Most commercial and government construction falls into such categories. As one contractor said, "I can't do government work because I cannot wait long for payment. Even FHA repossession work is slow paying."³ Pressed for funds, some minority contractors are forced to rely on customer advance or supplier credit, which further limits their effective market. Many underfinanced contractors cannot work at capacity. One Houston contractor, who related that he could not obtain a bank loan although he had excellent personal credit, observed, "I spend more time begging people for money than I do working. We operate on a shoestring."⁴ Unavailability of financing can prevent

¹ Confidential communication (1971).

² Confidential communication (1971).

³ Confidential communication (1971).

⁴ Confidential communication (1971).

a subcontractor from supplying his own materials, thus reducing the profitability of his jobs. Inability to obtain interim financing is also often related to other problems, such as the inability to secure bonding or the inability to obtain a good work force.

Lack of financing for equipment was also identified to be a primary problem for minority contractors. Most of the minority contractors are undercapitalized -- even for small residential construction. For commercial construction, financial needs are even greater. More and different (and usually more expensive) equipment is required. For example, in masonry, lifts and scaffolding are vital in working on multi-story buildings. If a contractor cannot find the money to buy or lease such equipment, s/he is effectively excluded from the market.

The problem of obtaining financing for equipment, of course, is much more of a problem in the trades for which much equipment is required. Sheet metal work or poured terrazzo flooring are prime examples. In trades such as tile and precast terrazzo, which require little equipment, the problem of capital financing is rarely mentioned.

Besides interim financing and financing for equipment, other financial problems are mentioned by individual contractors in the interviews. Sometimes it is the inability of the contractor's customer to obtain financing which is the problem. Such is especially true for those contractors who work in the minority market. One contractor in Atlanta, for example, alleged that it is almost impossible to obtain a FHA guarantee for a loan over \$25,000 in a black neighborhood; this, he contends, limits the work he can do. Similarly, a Mexican American air conditioning contractor in Houston stated that he would be busy all of the time if his customers had access to financing for the installation of air conditioning.

Another problem mentioned by a few contractors is obtaining supplier credit. This issue is most important when a business is first becoming established. One means that some contractors have used to obtain supplier credit is to arrange a co-signature agreement, in which the customer makes all checks in the name of both the supplier and the contractor. However, this practice is discouraged by many suppliers and thus infrequently used.

Financial Sources to Minority Construction Firms

Few contractors begin their business with assistance from financial institutions. Out of 234 contractors in all cities, only 24 (or 10 percent) identified banks or savings and loan associations as sources of their start-up capital. Most contractors provided the initial start-up capital themselves.

In most minority firms, the contractors themselves remain the primary source of business funding even after their businesses become established. As one Houston contractor put it, "My largest source of funding is my back pocket." Overall, 147 of 259 respondents (or 57 percent) reported their main source of financing as themselves. Eight-six (or 33 percent) identified financial institutions as their primary source. Ten (or 4 percent) cited the Small Business Administration as the chief source of financing. A few existed on customer advances or financing from white partners. One contractor explained that he managed to exist between draws on larger jobs by doing smaller jobs for which he was paid immediately.

Some significant differences between respondents from the South and non-South existed on this question. Among blacks in Chicago and all minorities in San Francisco-Oakland, almost twice the proportion of respondents relied on financial institutions for operating funds. Also, all of the contractors who cited the SBA as their chief source of financing were in the non-South, but this is most likely attributable to the fact that the SBA's "revokable, revolving line of credit program" was not in effect at the time of the interviews in the South.

Also attesting to the larger role financial institutions played in supporting contractors in the non-South is the fact that larger percentages of respondents in the non-South had made an attempt to obtain a bank loan. Whereas 63 percent of the contractors interviewed in Houston or Atlanta had sought a bank loan at one time or another, the comparable figure for non-South respondents was 74 percent.

In all cities, blacks applied for bank loans more than other minorities. Eighty percent of the black respondents had applied for bank loans whereas only 56 percent of the nonblack minorities had so applied. The most aggressive contractors in seeking bank loans were blacks in Chicago. Twenty-four out of 26 contractors (or 92 percent) had applied for bank loans -- with an 85 percent success rate.

However, even for this group with the best record, the future looked bleak. In final interviews conducted in April, 1974 during the credit crunch, much concern was expressed by Chicago contractors about the future availability and price of credit. As small contractors, they were increasingly finding themselves at the end of the line in obtaining credit. The future outlook posed a dilemma. If they could not get credit, they could not bid jobs and work; and if they could get credit, it was at a high price which cut deeply into profits. One contractor asked in exclamation: "How can I make profits paying 14 to 18 percent interest rates?"

Overall, 81 percent or about 4 out of 5 contractors who have applied for a bank loan have been successful at least once. Lower rates of success were found among blacks in Atlanta and San Francisco-Oakland and among Spanish Americans in Chicago.

Several contractors, who had been refused in initial applications, were eventually successful in obtaining a loan. Such experience testifies to the value of persistence in dealing with lending institutions.

Surprisingly, minority contractors make relatively little use of minority banks and the presence of such minority-owned institutions does not appear to ease

contractors' financial problems much. Few minority contractors reported carrying accounts with minority banks, and less than a handful considered a minority-owned financial institution to be their chief source of financing. When asked why, one Mexican American contractor in Houston responded, "[Pan American Bank] just recently opened, and since they want to stay in business, I heard that they are -- understandably -- more conservative about their loan policies than some white banks are." The contractor was hopeful for a more open policy in the future after the bank becomes more firmly established.

Even in Chicago, where some of the largest black financial institutions are located, contractors made little use of such establishments. A black contractor in Chicago simply stated: "Minority banks don't have the money."⁵ A fellow contractor added: "They don't have the expertise to get involved in high risk, short-term construction loans. They have their money tied up in long term mortgages and such."⁶

Interestingly, of the contractors who had established good financial credit with banks, several had personal contracts or friends within the bank or developed such relationships over time. In Houston, many of the in-migrant contractors still used their rural home town banks where they "know the vice-president" or where they "are well known" rather than deal with the major Houston banks. One Atlanta black carpentry contractor stated that he had been offered a loan only one time -- when he was doing some carpentry work on the offering bank's office. The majority of contractors lack such business contracts with bankers, however.

At least some of the cause for the lack of contact between minority contractors and financial institutions can be attributed to the paucity of minority bank loan officers. For example, a survey made in 1969 preliminary to the charter application for the Pan American National Bank found a total of only three Mexican American loan officers working in Houston banks.⁷

Where minority loan officers were to be found in Houston and other cities, the minority contractors seemed to gravitate to them; and it was not unusual for the same minority loan officer in a white-owned bank to handle accounts with several minority contractors. Minority contractor associations often gained entry to financing for their membership through minority loan officers because

⁵ Confidential communication (1973).

⁶ Confidential communication (1973).

⁷ Personal interview with Mario Quinones, member of steering committee to organize the Pan American Bank, Houston (September 19, 1971).

"they could speak the language" or because "they had rapport." In view of this, an effective affirmative action program on the part of white banks to hire more minority loan officers would be of considerable assistance in reducing problems of financing for minority contractors.

Established credit is a requirement for any substantial construction enterprise; and it must often be available on very short notice to meet a bid deadline or to keep a firm afloat during unexpected delays or unforeseen reverses. A black-contractor in Chicago lamented:

The trouble is that whites have an advantage in that they can pick up the phone and operate by word of mouth -- even get same day service. Blacks haven't established themselves with banks to be able to do this yet and although this may happen tomorrow sometime, we don't have till tomorrow to do it.⁸

Labor

As noted in Table 10, the "second most prevalent problem area cited by the contractors was labor although it received only about half as much attention as financing. Four main issues concerned contractors: (a) recruitment, (b) retention, (3) training, and (d) relationships with unions.

Recruitment

Finding labor received mention as a major problem 58 times by the 282 contractors. In order to obtain a fuller picture of this problem, each contractor was asked directly and specifically: "Do you have any trouble finding and keeping reliable and capable workers?" Overall, 134 of 272 contractors (or 49 percent) responded

⁸Confidential communication (1973).

affirmatively to this question. Many added that inferior or unskilled workers were available but that skilled craftworkers were difficult to find.

The nature of the contractors' labor problems seem to change as the firm grows and develops. Recruiting labor does not become a problem until the firm has some employees. Three out of four minority firms in construction nationally do not have even one person on the payroll. When the minority firm grows and a work force is hired, a contractor becomes very concerned with keeping his better craftworkers -- which usually means he has to keep them busy. As he grows larger, his need for skilled craftworkers increases, as does his concern for recruiting and training them. If the contractor achieves a more stable level of work and becomes unionized, his labor recruitment and training problems diminish because he can rely on union referral for workers. The critical need then becomes attracting competent supervisory personnel.

Finding qualified supervisory personnel is a particularly sticky problem for some of the larger contractors. Most of the black contractors have difficulty attracting white supervisors; and blacks with supervisory skills are in short supply because few have been trained. Further, many of those who have suitable experience prefer to work for white firms at higher salaries or to go into business for themselves. As one black contractor in Chicago described his problem:

I would like to find a minority guy with an engineering background who has a practical understanding of the trades as well as an ability to deal with people. I guess I just asked for Jesus Christ' -- and I despair of a second coming.⁹

The contractors were also asked how they found workers (see Table A-41). Sources were numerous and diverse. Informal networks were very important in all cities; but in the South, contractors use them almost exclusively whereas contractors in the non-South place heavy reliance on union referral.

⁹ Confidential communication (1973).

Various forms of informal sources were used by the contractors. The informal technique most used by contractors is to call acceptable former employees. Some contractors keep a list of such employees. Many attempt to hire only employees of whose competence they know personally. Most contractors also prefer to hire only experienced workers instead of hiring the unskilled and enduring the difficulties of training them; but often "greenhorns" are the only labor available and they have no choice but to employ and train them. Other informal channels include recommendations of friends or relatives, referrals from fellow contractors or from employees, hiring "walk-ins," picking up people at street corner "shape-ups" (especially in Atlanta), hiring neighborhood youngsters, or employing former workers who call when they are out of work. In painting and tile contracting, wholesale suppliers sometimes act as referral sources for labor. Informal networks provide advantages to contractors who have been well established in the area a long time either as workers or employers. Such contractors simply know more people. Nonunion contractors new to the business often encounter severe problems finding capable and reliable labor.

Eleven contractors in the South and 103 contractors in the non-South mention that they use union halls or union referral systems to obtain workers. Generally, in the non-South, only union shops use union referral. However, in the South, four of the 11 contractors are nonunion and use the union referral without a contract, although they said that they are obligated to pay the union scale. Moreover, not all of the unionized contractors in the South used union referral. Atlanta's largest black union contractor claimed he had not used union referral in seven years. "Workers come to me," he said, "because they know I have work all year round, which means a steady job and more security for them." Further, if a nonunion contractor in the South has a large work force and pays a wage near union rates, union workers will call on him looking for work, especially during strikes.

Several contractors had considerable criticism for the quality of workers the union had referred them. Some contractors contend that workers who "hang around" the union hall relying on the referral system for jobs are older or less productive or otherwise inferior workers.

A few contractors charged that they had been discriminated against in union referrals. Other contractors explained simply that the largest employers carried the most weight with the unions and thus got the best referrals; and minority contractors are generally not among these largest firms. Another contractor also noted that inferior workers are often dispatched to out-of-town contractors who are in the local labor market only temporarily.

A few contractors mentioned use of the public employment service to find employees. However, most add that is a source for laborers but never for skilled workers. Generally, minority contractors do not give the employment service high ratings as a source for employees. For every contractor who spoke favorably of the employment service, there were two who made negative comments.

Besides union referral and the employment service, other formal sources were rarely used. Few contractors had established connections with trade schools for obtaining workers. Half of those who did were contractors in Atlanta who hired graduates from the Atlanta Area Technical School. In other cities, there was little or no relationship with any vocational education facilities for obtaining workers. Newspaper or radio/TV advertisements were used by only a handful of firms, largely Spanish-speaking contractors utilizing Spanish-speaking media.

Finding and keeping workers is enough of a problem to keep some contractors -- especially nonunion contractors -- out of the line of work they want to do, as illustrated by the following sample quotations:

Yes, I have had offers to do nonresidential work, but I don't have the work force.

(Black general remodeling contractor, Atlanta)

My work has been 90 percent remodeling lately because I can't find enough men to do new work.

(Black general contractor, Atlanta)

I used to do commercial work -- but I could't find enough good men.... I went broke.

(Black general contractor, Houston)

We have had to turn down jobs because we have had no workers.

(Black electrical contractor, Atlanta)

I used to do a lot of new installation work but I had to go to service and other less quality work when I lost some of my better employees. They went off to become contractors on their own... One reason I have had so much trouble is that I have to keep watching these idiots who are working for me now.

(Black plumbing contractor, Houston)

Other contractors are currently satisfied with the type of work they are doing but recognize that they could not do other work with their current work force -- even if they wanted to. A Mexican American carpentry contractor doing framing work for residential subdivisions indicated a connection between the relatively low-skilled type of work he was doing and the skill of the carpenters available to him: "For the quality of work I need, they are OK." He further remarked that the skills of his men were at too low a level for commercial work.

Retention

Each newly established construction firm appears to go through a natural process of sifting to develop a good crew. Contractors hire and lay off constantly as they test candidates for positions with their steady crew of key journeymen whom they keep regularly employed while letting others go with changes in workload.

Once a contractor develops what he considers to be a good crew, he does his/her best to retain them.

Minority contractors who addressed this problem stated that one can keep workers if he can provide steady work for them. But as soon as a contractor cannot keep a good employee busy continuously, he will lose the worker. Keeping one's work force busy appears to be a major preoccupation of any small contractor with a good crew, and several have made various arrangements to deal with the problem of losing good employees. Seven black plumbers in Atlanta, for

example, are organized into a loose-knit local chapter of the Eastern Seaboard Plumbers Association, a black plumbers' contracting association headquartered at Hampton Institute in Virginia. The group, in a sense, "pools their work as well as their workers." That is, occasionally if one contractor is short of work, he will call the others until he finds one with more upcoming work than he can handle. If the inactive contractor can make arrangements to subcontract some of the work from the other plumber, he will, or he may lend her employees until work picks up again and he can rehire them. An even more loosely organized group of native Mexican American contractors in Houston, "Contratistas Mexicanos Unidos," has a similar informal arrangement. In addition, individual contractors occasionally have a standing cooperative arrangement for sharing work and workers with other contractors. Usually, the contractors involved are relatives. Besides pooling arrangements, some contractors lower prices and even do work at cost to hold their crews together. Others provide make work or alternative work, or shorten the work week of all employees to allow them to share the work that is available.

Turnover unrelated to the problem of regularity of work is also a problem for minority contractors. Contractors often lose their good craftworkers and their better trainees, especially in the nonunion sector. The latter problem is often a case of the contractor's failure to raise the trainee's wage at a rate commensurate with his progress in learning the trade. Consequently, the trainee is attracted to an employer who better appreciates the quality of his newly acquired skills. Of course, the level of compensation is involved in the problem of keeping the highly skilled workers, too. Often the contractors who complain most about turnover also pay the lowest wages.

Training Programs for Employees

Lack of the availability training for employees is cited as a severe problem by only a few contractors. Out of interviews with 282 respondents there were 11 specific mentions of labor training as a critical need for minority contractors. Further, only three out of 10 minority firms surveyed participate in any formal training efforts.

If individual minority contractors do not recognize their training needs, several others do. During the course of the interviews in Houston, no less than seven proposals for training minority workers by minority contractors were uncovered.

The majority of contractor associations contacted for this study had either a labor training program under way or plans to get one funded and implemented. The National Association of Minority Contractors had two successive contracts to promote the NAB-JOBS program, counterparts to contracts awarded to the Associated General Contractors. Many of these projects have been largely motivated by the lure of available manpower funding; and few have worked very effectively. Further discussion of labor training efforts and the problems associated with them may be found in Chapter 4.

Unquestionably, if minority firms in construction are to grow and advance into larger work, adequate supplies of skilled craftworkers must be available to them. Of course, the lack of availability of training is related to recruitment problems as well, which is the labor problem most mentioned by minority contractors. As nonunion minority firms grow, they will face greater labor recruitment problems. Further, there was some evidence in the interviews to suggest that union minority contractors have difficulty holding qualified white workers, particularly on ghetto area projects. Finally, some minority contractors express understandable irritation at seeing white firms receive subsidies to train minority workers, when they themselves have been formally or informally training minority workers for years.

Relationships with Unions

As mentioned in previous sections, 49 percent of the contractors worked under union contract at least part of the time (16 percent in Atlanta; 5 percent in Houston; 74 percent in San Francisco-Oakland; and 65 percent in Chicago). Additionally, some nonunion contractors in the South mentioned that they occasionally used the union referral system for workers. Many others mentioned that they would like to do union work and would contract with a union if they could see the benefit to them.

As a whole, the contractors are not particularly anti-union. Neither are unions foreign institutions to minority contractors. Overall, more than six out of ten had been members of construction unions themselves. Some members still held their union cards and exhibited them with pride. One of the larger black contractors in Atlanta was, in fact, a business agent for the former Masonry Local 9 (a black local) before it was integrated with Masonry Local 8. One of the black contractors in Houston had been a union organizer and union secretary for a Kansas City carpenters' local.

Unions in the mechanical trades show much stronger exclusionary patterns against blacks in the South than in the non-South. Whereas in the non-South nine out of ten former craftworkers in mechanical trades had been union members, only one out of four mechanical trades craftworkers had been a union member in the South. Most of the black Southern mechanical contractors had learned their trades in black colleges and upon graduation, went into business for themselves when they could not obtain employment in union construction.

Some contractors, of course, were intensely anti-union, and some contractors had had unfavorable personal experiences with unions. Electrical contractors seemed to have had a greater incidence of such experiences than the others. The only contractors in Atlanta to mention the union as a primary problem was an electrical contractor. In Houston, a black electrical contractor, C.F. Smith, had a well publicized confrontation with the unions several years ago. Smith says he had sent two of his black employees to join the electrical workers' union but that the local of the IBEW would not admit them. Soon afterward, Smith's firm landed a job in the union sector, and the union picketed the project. Newspapers rose to Smith's defense, challenging the blatant union discrimination tactic of refusing to admit his workers and then refusing to permit him to work because he was nonunion. Smith still speaks of the experience today with some bitterness.¹⁰

¹⁰ personal interview with C.F. Smith, electrical contractor (Houston, May 28, 1971).

A few contractors are opposed to signing a union contract because of unpleasant personal experiences they had encountered as workers. A black general contractor in Houston recalls the hostility with which he was greeted in the early 1950's when he tried to transfer from a carpenter's local in St. Paul, Minnesota, to an all-white Houston carpenter's local. In fact, he says that this hostility drove him to start his own contracting firm.¹¹ Similarly, a Mexican American air conditioning contractor declared, "I have been approached several times by the union since I became an employer; but since they wouldn't let me in as a service employee before, I am not going to join them now."¹²

On the whole, a policy of racial exclusion on the part of a building trades local makes little sense and may be a source of future difficulties. As we have seen, contractors who have experienced discrimination at the hands of unions in the past often have developed hardened attitudes toward them. Also, by refusing to organize minority contractors, unions violate their own principle of union security by ignoring a sector of the market.

Largely due to affirmative action pressures, unions, at least in Atlanta, have been prodded to act in their own interest. Herbert Williams notes that since the advent of the Atlanta Plan, union organizers have been beating a path to the AAC&TC office and offering to sign up everybody. In response he observes:

I don't know what they expect. After so many years of keeping us out, now they let the barriers down and expect us to jump en masse.

They have got to understand that it may not be a good thing for all of our contractors to join. There has to be something in it for our contractors to gain. The decision has to be made on a rational basis. I think we will assign a committee to look at their proposals.¹³

¹¹ Confidential communication (1971).

¹² Confidential communication (1971).

¹³ Personal interview with Herbert Williams, executive director, AAC&TC (Atlanta, April 16, 1975).

To 1975, a few contractors had signed union contracts.¹⁴

In neither Houston nor Atlanta are unions currently strong enough in residential work to have much influence on minority contractors. In other sectors, however, such as large commercial work, the influence of the unions is significant. Reports one nonunion Houston contractor: "You stay away from certain areas -- like downtown." In accord with this statement, two nonunion minority contractors interviewed complained that when they bid union work in a traditionally union sector, such as municipal construction, they would find union firms colluding to underbid them.

A few of the contractors interviewed had been picketed. A black construction firm in Houston was picketed on a bank remodeling job by a white individual acting on his own behalf. The lone picket upset the bank management so much that although the black firm was permitted to complete the job, it has not been invited to bid for any further work.¹⁵

Some minority contractors have suffered significant inconvenience due to union actions, but they have usually been allowed to complete their work after hours, when union crews were not on the site. One Houston Mexican American general contractor related that unions stopped his work on a housing project in Galveston in 1959, causing him a loss of \$20,000 on the job.¹⁶

Some contractors encountered less difficulty with unions. One nonunion tile contractor reported that he has no trouble working on union jobs -- as long as he pays union scale on those jobs. In one or two cases, interviews revealed an exceptionally good relationship between unions and minority contractors. One masonry contractor in Atlanta reported that the masonry union has helped him with job referrals.¹⁷

¹⁴ Telephone interview with Herbert Williams, executive director, AAC&TC (Atlanta, April 16, 1975).

¹⁵ Confidential communication (1971).

¹⁶ Confidential communication (1971).

¹⁷ Confidential communication (1971).

The majority of Southern minority contractors are little affected by unions -- mainly because they work in the unorganized residential sector. However, as they grow and expand into commercial work, they will probably follow the pattern of their fellow minority contractors in the non-South and become unionized.

On the whole, the unions in Houston and Atlanta state that they stand "ready and willing" to organize the minority contractor. Likewise many of the contractors are agreeable to joining unions if they foresee the benefit to them. As a black plumbing contractor in Houston stated: "I would rather be union because I would have less trouble in obtaining help. I would join the union if I could see it benefiting me."¹⁸ But there are certain barriers and fears which make the minority contractor reluctant to take such a step:

(1) Most important, minority contractors fear they will not have enough of the better, larger contracts to support union pay rates. With few exceptions, they do not work on this caliber of projects now, and several factors currently inhibit their advancement, leading them to suspect that they will not be working on such projects in the future. If minority contractors continue to do the type of work they presently perform, most of them view signing a union contract only as a handicap. Even of the few who have signed a contract, a high percentage continue to work nonunion part of the time, especially for the smaller jobs.

(2) Fears of losing control over selection of their work force under union contract bother many contractors. In the interviews, several contractors pointed out that a union can wreck a contractor by referring inferior workers to him. Many minority contractors had heard of cases in which this has occurred. A well-known illustration is the story of a black electrical contractor in Detroit, who was once a union contractor but left the union after receiving several bad referrals from the union and

¹⁸ Personal interview with Alvin Herbert, black plumbing contractor, Houston (April 18, 1971).

formed a school to train nonunion minority electrical apprentices.¹⁹

It is widely believed among minority contractors that only older, less productive, or otherwise inferior workers rely on union referral for work. Since most minority contractors have less steady work than larger white contractors, they would have to rely on the referral system more than white contractors and thereby have to contend with an inferior work force. In addition, currently many of the unions are all white, and in the past some white workers have refused to work under some of the black contractors. Unless the attitudes of these workers change or the racial composition of the unions changes, the contractors feel they would only risk trouble by joining a union.

(3) Fear of losing a job control disturbs several contractors. Many contractors expressed concern over losing control of employees under union rules. "You can't even criticize your employees' work without going through a superintendent," says one contractor.

(4) Inability to meet certain provisions of the contract prohibits some contractors from signing union contracts. For example, some union contracts contain the stipulation that a contractor have a field superintendent. But because most minority firms are too small to afford such a position, signing a union contract with such a provision is not realistic.

Also disturbing to some contractors is the added burden in office work which unionization brings. Says an Atlantan masonry contractor: "Under the union, I would have to file separate forms for each fringe benefit... With all the extra office requirements, I would have to hire a secretary." He currently does all the office work himself.²⁰

¹⁹ Personal interview with C.F. Smith, black electrical contractor (Houston, May 28, 1971).

²⁰ Confidential communication.(1971).

In the non-South, although most of the contractors are union shops, some persist as nonunion firms without encountering opposition from the unions. For example, one nonunion contractor in Chicago nonetheless uses minority union workers and pays them scale says he runs into little resistance from business agents because all his projects are in black areas where "it isn't safe for whites to work." Further, the business agent does not want to close down the job and throw his men who are making prevailing rates out of a job because he has no replacement jobs for them.²¹

Lack of Management Skills

Lack of management skills was cited by 58 respondents as a primary problem area -- the third most often mentioned in the interviews. Further, wherever the subject slipped from the level of individual problems (i.e., what are your business problems?) to the group level (i.e., what are the problems of minority contractors in general?), contractors often mentioned that what they (the others) needed was better training as managers. Also, many of the larger minority contractors cited lack of business skill as a problem for the small minority contractor.

Typical management and paper work skills essential in construction are estimating and bidding, reading blueprints, bookkeeping, handling finances, personnel management, and production scheduling. It is easy to see how these needs arise, considering how most subcontractors enter into business. Typically, they come to contracting from a trade in which they are good craftsmen.²²

²¹Confidential communication (1974).

²²As the earlier review of backgrounds of contractors interviewed revealed, all subcontractors except those in carpet contracting came to contracting through a trade. The same is usually true of general contractors, who are typically ex-carpenters or ex-masons. However, there are alternative routes to general contracting, such as engineering or construction management. See Table A-5, for a distribution of contractors interviewed by original trade.

Although their technical abilities in the field may be excellent, they usually lack training or experience in business and office management skills and often a technical paper work skill, such as blueprint reading. As noted in the previous chapter, only 29 percent of the contractors had any previous formal business training, and only 31 percent had previous business experience of any kind.

Lack of business experience is often related to other problems, too. Deficiencies in bookkeeping, for example, bear on the contractor's inability to obtain financing and bonding since a bonding company usually requires that a company have records for the previous three years in good form.

Bookkeeping is one skill which can be fairly easily purchased by hiring a bookkeeper or commissioning an accounting service. In 126 out of 282 cases (or 45 percent) the firm's books are kept by the contractor himself or by immediate family members -- in most of these cases, with outside advice and consultation. As Table A-21 illustrates, 158 of 282 contractors employ some form of outside help -- ranging anywhere from annual assistance with income tax reports to a regular bookkeeping and auditing service from a firm of certified public accountants.

Other skills are more difficult to obtain. For example, being able to read and analyze the accounting records -- no matter who keeps them -- for cash flow planning becomes a critically necessary management skill as the firm grows. Or for another example, a contractor cannot easily hire someone to read blueprints; it is difficult to operate without knowing how to read blueprints for oneself, as the experience of a Mexican American painting contractor in Houston bears out. He had been through one and a half years of apprenticeship school but dropped out just before the section on reading blueprints. Now he vitally needs to know this technical skill to properly figure his bids.

Other contractors can be of assistance in providing some forms of technical assistance to overcome these weaknesses. For example, one of the electrical contractors interviewed in Atlanta perfected his estimating techniques with the help of a larger contracting firm. When the black contractor first started bidding larger jobs, he would submit all of his bids to the other firm's estimators for checking before turning them in.

One matter which drew some attention in the interviews was supervision of employees in the field. In the interviews, three or four contractors mentioned that they encountered supervision problems when they had employees dispersed on different work sites or when their work forces were large. As one plumbing contractor said, "You can't trust crews on different sites without a superintendent or foreman in charge." Two general contractors and one masonry contractor who used to employ four or five times the number of workers as they do currently mentioned that they have no desire to become that large again -- "it is just too much trouble." As one says, "My blood pressure kicks up to 220 when I have a load of 25 men."

Marketing

Marketing, or finding jobs, is a problem which especially affects contractors just beginning their businesses. Establishing a construction firm is not an easy matter -- especially if a contractor is from out of town. With few exceptions, most contractors have to work as employees in the city for many years. Gradually, they learn the local industry information networks and establish contacts; then they begin on their own. One enterprising interviewee in Houston was able to short-cut this time-consuming route of experience, however, he paid a fellow who had "been around the industry a long time" to accompany him and introduce him to builders.

Although finding work is a most severe problem for newly established contractors, the problem is by no means confined to them. When asked whether they were getting all the work they could handle, 147 of 279 respondents answered that they were not. The percentage of those who answered that they were working below capacity was dramatically higher in the non-South (61 percent) than in the South (36 percent).

Very few minority construction firms work exclusively in the minority community. As the sole exception to this statement, information from the interviews revealed that Chinese contractors work most in their own community. Further, black contractors work less for white (Anglo) customers than do Spanish American contractors. Several black firms -- particularly in Atlanta -- direct their marketing pitch at the minority community by advertising in black newspapers and black business directories. Likewise, Chinese contractors advertise in Chinese newspapers. Only two Spanish American contractors reported advertising in Spanish newspapers.

In general, minorities interviewed in the South tended to work less for whites (Anglos) than contractors in the non-South. Whereas five blacks and one Mexican American in Atlanta and Houston stated they have no white (Anglo) customers whatever, only one Chinese contractor and three Chicago Spanish American contractors report they have no white (Anglo) customers in the non-South. Overall, whites (Anglos) comprise the smallest proportion of business among black contractors in the South, Spanish American contractors in Chicago and Chinese contractors in San Francisco (see Table A-44.)

Few contractors reported any difficulty in finding or working for white customers, and no one explicitly termed it a chief problem. One contractor explained that his business was becoming predominantly black because he worked on the western side of metropolitan Atlanta, and he said that whites were moving out of the area to the suburbs.

Subcontractors encounter different problems from general contractors in locating jobs. Often, they face situations in which the general contractor has pre-chosen his subs or situations where the general contractor has alliances with certain subcontractors which an outsider could not break through, even with a low bid.

The selection of a general contractor is often strongly influenced by the architect. One handicap which minority contractors face is the paucity of minority

architects. It is estimated that there are only about 400 licensed black architects in the nation.²³ According to sources in the interviews, there are only an estimated five licensed black architects in Atlanta and five in Houston.²⁴ In 1969, only four of 400 architects in Houston had Spanish surnames, according to the Roster of Registered Architects, published by the Texas Board of Architectural Engineers.²⁵ Similarly, a directory of black architects compiled in January, 1972, listed only nine black architect in the San Francisco area.²⁶

Architects rarely have anything to say about the choice of subcontractors, since the general contractor usually deals directly with his subcontractors. Strong working relationships between general contractor and subcontractor often bar minority contractors from participating in projects. A painting contractor in Houston, interested in breaking into commercial work, contends that if he were able to bid directly to the owner, he could easily get more jobs.

Almost all of the contractors worked in the city or within commuting distance of it. The few who did work outside of the municipal area mentioned that transportation of the crew and travel expenses are paid by the owner. One poured-terrazzo flooring contractor in Houston stated that he preferred to work in the rural areas because he faced less competition there and thus could charge higher prices.

²³"Architecture's New Wave," Ebony (June, 1971), pp. 33-42.

²⁴ Interview with John S. Chase, first black licensed architect in the state of Texas (Houston, April 19, 1971), and interview with Herbert Williams, executive director, AAC&TC (Atlanta, May 13, 1971).

²⁵ Cited in Francis Scott Yeager, "Economic Report Prepared for the Steer-Committee of the Proposed Pan American National Bank" (Houston, Texas, mimeograph, May 15, 1969), p. 22.

²⁶ San Francisco Redevelopment Agency, "Black Architects and Engineers in the West" (San Francisco: San Francisco Redevelopment Agency, mimeographed, 1972), 3pp.

Sources of Information on Jobs

Part of the minority contractor's inability to find jobs stems from lack of information he receives on available job opportunities. (See Table A-45.) Several formal sources of information are available on upcoming construction projects. Perhaps the most respected source, Dodge Reports, is available in all cities studied on a weekly basis. In the survey, only 78 contractors of 292 respondents reported that they use the Dodge Reports (or its sister publication in San Francisco, The Daily Pacific Builder).

In addition to the Dodge Reports, there exists a Builders Exchange in most cities which feeds information on upcoming contracts to its members and operates a "plans room" for the use of contractors and subcontractors in estimating. In some cities, information of contracts awarded and those available for bidding is published in the AGC News, which is distributed semi-weekly to the Houston chapter membership of the Associated General Contractors. The AGC also maintains files of plans on upcoming contracts. Unfortunately, since most minority contractors are not members of the Builders Exchange or the Associated General Contractors, they are excluded from such information circuits.

Interviews revealed that minorities had little ready access to information regarding government work in Houston and Atlanta in 1971. Only two minority contractors out of 106 were even on government bid lists. On the other hand, one out of every six interviewees in 1973-74 in Chicago and San Francisco-Oakland identified government procurement conferences or government bid lists to be a source of information on jobs.

The majority of the minority contractors interviewed do not advertise; and (except in San Francisco), most are not listed in the yellow pages of the telephone book. A few contractors explained that advertisements in newspapers and in the yellow pages of the telephone book tend to draw offers of smaller repair and remodeling jobs -- exactly the type of work many of the contractors are trying to avoid. Of course, a few contractors prefer to specialize in small jobs and thus place ads in newspapers (often newspapers directed at the minority community) and solicit work by tacking their business cards on bulletin boards of local grocery stores and laundromats.

In general, minority contractors rely on informal rather than formal sources of information to find jobs. By far, the most prevalent source was recommendations from previous customers. Next most mentioned source was minority contractors associations. Other "word of mouth" referrals come from friends and past associates, fellow contractors who had more work than they could handle, public affirmative action officers, architects, and even a bonding agent and a union business agent. Part of the explanation for the heavy reliance on informal sources of information may lie in the fact that most minority contractors operate in residential markets which characteristically utilize informal sources. In fact, one contractor mentioned that he relied on informal sources (customer recommendations and callbacks) for residential work but formal sources (Dodge Reports and bid lists) for commercial/industrial work.

Subcontractors aim their marketing efforts towards general contractors. Some subcontractors attempt to introduce themselves to selected builders and general contractors by mail. Others -- particularly those whose business is young -- will often scout building sites to solicit work. As a firm becomes more established, however, relationships with general contractors are developed and notice of jobs tends to come to the subcontractors.

Bonding

Requirements for surety bonding -- bid bonds, performance bonds, and payments bonds -- exist on virtually all major government contracts and approximately 20 percent of private work. Under the provisions of the Miller Act, contractors on all Federal projects over \$2,000 are required to be bonded. Similar provisions are in effect for most state and local government contracts across the country.

The purpose of surety bonds is to secure the interests of the project's owner in several ways. Under a performance bond, the surety assumes the owner's financial risks of nonperformance by the contractor. Payments bonds protect the owner against the risk of liens levied by any suppliers the bonded contractor fails to pay.

Inability to obtain surety bonding is popularly identified as a serious -- even key -- obstacle to the advancement of minority construction firms.²⁷ Yet available empirical research on minority contractors indicates that relatively few minority firms have encountered bonding problems. For example, a 10-city survey of minority contractors made by the NAACP in 1970 concluded:

Many firms replied they had no problems in securing performance bonds, but this may be explained partly by the fact that few firms did much government work on projects large enough to require bonding, and therefore have never even tried to secure it. To the simple question of whether or not they had trouble in securing bonds, most firms answered in the negative, but this may be because few had ever tried. This survey did not conclusively show bonding as a prime deterrent to participation by minority firms in major government work. But the results certainly do not disprove this long-believed notion. Instead they illustrate how complex the problem really is.²⁸

²⁷ For example, see Burt Schorr, "Black Construction Contractors Find Selves Cut Out of Lucrative Long-Term Contracts," Wall Street Journal (May 7, 1971), p. 22; Reginald Stuart, Black Contractors' Dilemma (Nashville, Tennessee: Race Relations Information Center, 1971), p. 22; G. Douglas Pugh, "Bonding Minority Contractors" in William F. Haddad and G. Douglas Pugh (eds.), Black Economic Development (Englewood Cliffs, New Jersey: Prentice-Hall, Inc., 1969), pp. 138-150; and Joseph Debro, "The Minority Builder," Labor Law Journal, Vol. 21, No. 5 (May, 1970), pp. 298-309.

²⁸ U.S. Department of Housing and Urban Development, Office of the Assistant Secretary of Equal Opportunity, A Survey of Minority Construction Contractors (Washington, D.C.: Government Printing Office, 1971), p. 31. Emphasis added.

A more thorough study by Theresa Shapiro, which surveyed black contractors in New Orleans, found only seven contractors out of 184 (or 4 percent) who cited "securing a performance bond" as their single greatest problem.²⁹ Further, 63 percent of the 184 contractors interviewed had never even sought nor received a performance bond.

Similarly, in the present study, only 23 contractors out of 282 ranked bonding among their three top problems. How can we account for the apparent discrepancy between conventional wisdom and empirical evidence?

Part of the answer to this question is that few minority contractors have advanced to the point where they require bonding. Of 296 contractors responding, 124 (or 42 percent) had never applied for bonding and most said they had not done so because they had never needed it.

Moreover, examination of the characteristics of the contractors who do rate bonding as a chief problem casts further light on the nature of the problem.

Bonding appears to be a requirement more commonly affecting the general contractor than the specialty contractor. In Shapiro's study, six of the seven contractors who cited "securing a performance bond" as their single greatest problem were general contractors.³⁰

²⁹Theresa R. Shapiro, Black Construction Contractors in New Orleans (New Orleans, Division of Business and Economic Research, Louisiana State University, undated), Research Study No. 14, p. 23.

³⁰Ibid.

In this present study, 18 out of 32 respondents who termed bonding a chief problem were general contractors. Bonds may be required of subcontractors, but more often they work under the bond of the general contractor.

Second, bonding appears to be a problem impacting on the larger contractor. Eighty percent of those who described bonding as a chief problem had a gross dollar volume of \$50,000 or more. This conclusion was borne out in various statements by minority contractors during the interviews. When asked whether they had ever attempted to obtain bonding, many of the contractors answered, "No," then added, "I am not into that big work."

Third, bonding is a discontinuous sort of a problem, primarily affecting contractors seeking their first bond or attempting to obtain their initial bond at a higher bonding level. For example, one Chinese general contractor ran into bonding problems when he attempted to undertake a \$4 million project after having performed on \$400,000 jobs. One Atlanta contractor expressed the point another way, "We are okay for bonding and financing as long as we don't do any project over \$300,000." All of this, of course, means that bonding will assume greater importance as minority contractors advance into the mainstream of construction work.

Because nine out of ten of the contractors do not rate bonding as one of their chief problems does not mean that bonding has little effect on minority firms. In answer to the question: "Has bonding kept you off work you would like to do?" 46 of 134 contractors (or 34 percent) in the Chicago and the San Francisco areas answered affirmatively.

Fourth, it is clear that some minority contractors who reported difficulty obtaining bonding were not qualified. On the other hand, the bonding problems of a few minority contractors were due to discrimination, which may take various forms:

The runaround. According to this discriminatory tactic, the contractor's application package never seems to be complete. When the contractor provides all of the information, the agent tells him that he needs additional information. When the contractor returns to provide the extra document, he is met with still further requests, and so forth. This game goes on sometimes until past the bid deadline or until the contractor simply gives up any idea of trying to obtain a bond. This tactic is usually aimed at minority contractors who have not been previously bonded and who do not understand bonding procedures.

The double standard. Because bonding standards are subjective, an agent can apply tougher standards to a minority contractor than to an identically qualified white contractor. A specific form of this type of discrimination described by interviewees requires minority contractors to have greater "net quick" or greater liquid assets than their white counterparts. Of course, this sort of discrimination is difficult to prove.

However, that minority contractors consider the "double standard" a prevalent practice is an important fact in itself. Further, the negative image of surety practices is only reinforced by the apparently common practice of agents' refusing to disclose reasons for denying a bond. Such secrecy only intensifies the suspicions of those predisposed to anticipate discrimination anyway.

Higher charges. Some companies bond minority contractors but only at rates substantially above the market level.

In addition to personal bigotry of a few individual agents, there are elements of institutional discrimination involved in the problem. Lack of equal access to financing, inferior educational background and job experience, lack of familiarity with procedures used by the insurance industry -- all are relevant factors which are woven into the fabric of our society.

The problem is further complicated by another institutional factor: in candid discussion, surety officials admit that bonding agencies and companies are reluctant to bond any small company -- especially on an initial bond, because the commissions and profits sometimes do not cover all of the administrative expenses of processing a contractor's application for a bond. Thus, at least part of the bonding problems of minority contractors can be attributed to their small size rather than their minority status.

Finally, the bonding problem is likely to be an inflamed issue for some minorities because of ideological considerations. According to this argument, the surety industry is considered to have a public trust -- a special responsibility, since it is publicly licensed (by the U.S. Department of Treasury) and because it is largely supported by government-imposed bonding requirements. Yet it is a "lily white" industry. As of June, 1974, not a single minority-owned surety company accredited by the U.S. Department of the Treasury exists; nor were there more than a handful of minority surety agents in the entire country. Further, this "lily white" industry, with its powers to screen government contractors from performing government work stands in the way of using government procurement as an instrument to upgrade minority contractors, providing them with "a track record" on larger projects.

Cheaper Competition

"Cheaper competition" was regarded as a major problem by 25 contractors surveyed. Many worked in trades with easy entry requirements, such as tile or painting, and faced competition on residential work from smaller "scabs" (nonunion contractors) and "illegals" (contractors operating without a license or business registration). Contractors in strictly licensed trades such as plumbing or electrical work were protected from the latter problem. Other contractors were troubled by another form of fierce competition: a market dominated by larger established firms which could purchase materials more cheaply.

The San Francisco area was the origin of most of the complaints about cheap competition. Many of these came from union painting firms specializing in residential work. Four painting contractors indicated they found it difficult to compete with nonunion contractors who operate without a license. A few other specialty contractors also complained about "scab" competition. Nonunion competition has an especially adverse impact on Chinese union contractors operating in Chinatown; many Chinese firms are not under union agreements and pay considerably under union scale.

Some San Francisco contractors also complained about particularly fierce competition from larger rivals. For example, two ironwork contractors who purchased their steel from larger combination contractor-wholesale houses appeared to be at the mercy of these suppliers. By controlling the price and availability of steel, the suppliers allegedly skimmed off all the better jobs for themselves, leaving only undesirable smaller jobs for the contractors interviewed. Other contractors in various trades voiced complaints about the situation of having to compete with "large established firms -- with dependable employees and buying power."³¹

³¹ Confidential communication (1971 and 1974).

In Chicago, only one contractor noted cheap competition as a problem. He owned a relatively new steel fabrication firm and was attempting to break into the market for larger jobs competing directly with very large firms. He states:

This is just a difficult field to break into. The firms in the business in this area are very well established and have been around a long time.³²

Six contractors in Houston termed cheap competition as their primary problem. Of these six, five were tile contractors. The other contractor was a linoleum layer who contracts his own labor only. The nonunion tile sector in Houston appears to operate on an extremely competitive basis. At least two contractors referred to such malpractices as kickbacks and bid peddling as being fairly common in the industry. A couple of others were concerned about tile wholesalers' operating contracting firms themselves. There also appears to be a problem of wholesalers selling to general contractors, leaving the tile contractors to supply labor only (thus losing money by missing the opportunity to provide materials).

Two contractors in Atlanta complained of cheap competition. One, a masonry contractor, complained of what he called "backyard competition" by brick masons who operate as contractors without carrying insurance or paying sales taxes, social security, or any other payroll tax. He said it was difficult to remain in the business as a licensed contractor, obeying all the provisions of the law, while competing with contractors with such illegal lower operating costs. The other contractor, a dry wall contractor, similarly complained about this illegal cheap competition as well as competition from the larger firms, who are able to purchase materials at quantity discounts -- sometimes directly from the factory or source. The problem of competing against those who can obtain quantity discounts was lamented by a couple of small plumbing contractors in Houston, too. Many of the smaller contractors have access to

³²Confidential communication (1974).

supplies only at retail prices with a contractors' discount rather than at wholesale rates.

Perhaps there is a difficult middle position -- small enough to be doing less desirable work and to be bothered by small firms using illegal practices but large enough to be underbid on better jobs by the larger firms.

Collection Problems

Overall, 21 of the 282 contractors stated that their major problem was collection -- either from customers or general contractors. For marginal contractors -- especially those who can exercise little choice in the matter of selection of customers -- collecting is a major problem indeed. Collection problems were also more common with specialty contractors who performed work near the completion of the job, such as tile or air conditioning contractors. One Mexican American air conditioning contractor in Houston sadly related that he had had to foreclose on the biggest job of his career -- a \$8,100 air conditioning installation project on a church. His court case was successful, and he was now in possession of the structure. "But," he shrugged, "what can I do with a church?"

Some of the subcontractors are in a better marketing position so that they can afford to "pick and choose" for whom they work. Such subcontractors reported using a variety of methods of checking out a builder or general contractor, including the following: (1) checking with the contractor's supplier to see if he pays for his materials on time; (2) asking other subcontractors if the contractor paid them on time; (3) consulting the Better Business Bureau for information; (4) checking his Dun and Bradstreet rating, if he is rated; and (5) checking with a subcontractors' association for the sort of reputation the general contractor has with them.

Most contractors classify collection problems as day-to-day difficulties rather than problems inhibiting the firm's expansion. But if the unpaid debts are large or if

the missed payments occur at a critical time, they can stop a contractor from taking on new work or they can even drive one out of business.

Obtaining Licenses

Inability to obtain licensing is popularly cited as a severe problem for minority contractors. For example, a recent study by the Educational Testing Service described in some detail the licensing problems encountered by a black plumber in Montgomery County, Alabama.³³ The study further explained that the problem of minority participation in construction generally is primarily one of access to training, and only secondly, one of securing licenses.³⁴ Interviews for the present study provide some additional perspective to the issue of licensing minority contractors.

Licensing in construction is performed by local governments, by the state or by both. Licenses are generally required only in selected trades (usually electrical, plumbing, and air conditioning-heating, and sometimes general contractors). An exception to this statement is California, where contractors in every trade are licensed by the state.

Inability to obtain licensing is a problem for minority contractors only in certain areas. Only one contractor among the 315 interviewed mentioned that licensing was a severe problem. This was an electrical contractor in Chicago. At least three electrical contractors interviewed in that city independently indicated that a bribe of \$20,000 was required to obtain an electrical contractors

³³ Benjamin Shimberg, Barbara F. Esser, and Daniel H. Kruger, Occupational Licensing: Practices and Policies (Washington, D.C.: Public Affairs Press, 1972).

³⁴ Ibid.

license. The contractors added that such a bribe was required of applicants regardless of race or ethnic background. Whether such "under the table" money was required, the author was unable to verify; but the assertion was widely believed among the contractors interviewed; and the situation would be worth an investigation at least to dispel a widely-held notion.

During the course of collecting information from experts outside the project cities, other problems connected with licensing were uncovered. One fellow complained that Alabama is a difficult place for a black to obtain a state general contractors license; and without it, general contractors are limited to jobs \$20,000 and under. The interviewee indicated he knew of not a single state-licensed black contractor in Alabama in mid-1973. He was attempting to obtain a state license and had completed his application except for a required letter of recommendation from an existing general state licensed general contractor. The interviewee indicated that he did not know any white contractor in Alabama well enough to ask for such a recommendation.

Another problem associated with licensing occasionally occurs with Spanish-speaking contractors and journeymen where tests were given only in English. For example, Latin Builders Association, an organization of Cuban contractors, has had a primary concern with the fact that journeymen and contractor licensing exams in Miami were given only in English. After a lengthy period of struggle, the Cuban contractors were forced to pay others to "master" for them, i.e., to sign the building permit but not to be involved in the actual construction. Language barriers in licensing journeymen also artificially created a labor shortage situation for Cuban firms, although the contractors claimed that qualified Cuban workers were available.³⁵ The Latin contractors, whose influence was considerable since they account for an

³⁵ William S. Franklin, "Cuban Contractors in Miami and Dade County, Florida." Paper presented at the Southern Economic Association annual convention, Houston, November, 1973. Data apply to the 1971 calendar years.

estimated 40 percent of all construction put in place in Dade County,³⁶ have prevailed in their struggle with local authorities so that by 1974, examinations were offered in Spanish.³⁷

The California state contractors licensing system received favorable reviews from the contractors interviewed. Even contractors who indicated that they had to take the exams more than once to pass it, did not complain that licensing was unjust. In fact, several contractors praised the system for its fairness. Since California has the most extensive licensing system of any area covered in the study, it appears that licensing can be well administered so as not to act as a bar to minority participation in construction.

Discrimination

In the South, only two contractors identified overt acts of discrimination as problems. One, a black general contractor, alleged that a city inspector had discriminated against him. The other, a black electrical contractor, stated that "up until last year, my biggest problem was discrimination by the union."

It appears that blatant acts of discrimination have been reduced considerably. This is not to say that overt acts of discrimination no longer occur, just that they are less common and less important to the contractor in terms of inhibiting him from advancing. Several contractors stated that the environment was improving. Some of the older contractors lamented that they wish they could be beginning their careers now because the

³⁶ Ibid.

³⁷ Interview with Augustine Alvarez, director, Latin Builders Association, Miami, Florida (February 24, 1974 -- by phone).

opportunities look better than they ever have. Many related experiences of blatant discrimination in the past. For example, one black masonry contractor noted that there once was a time when black contractors could not subscribe to the Atlanta Daily Builders Report.³⁸ He recalls: "When you walked into a white contractors office and a copy of it (Atlanta Daily Builders Report) was sitting on his desk, he would cover it over, as if you were not supposed to know it existed."

Another contractor in Houston, a Mexican American terrazzo contractor, claimed that when he went into business in 1964, he was unable to purchase any equipment in Houston for pouring terrazzo. Suppliers had been forbidden by the Terrazzo and Stone Association to sell such equipment to outsiders; consequently, the contractor had to order the machinery directly from Minneapolis.

Practically every illustration of overt discrimination against the contractors related in the interviews referred to experiences of several years ago. Today discrimination shows up in a more illusive and insidious form -- covert discrimination. For example, Sultan Ghani, an Atlanta black painting contractor, recently submitted the low bid on three painting contracts with the Atlanta Public School System. Ghani alleges that he was denied the contract because he had failed to check a certain appropriate box signifying that he had seen the addenda to the blueprints -- even though it was clear and obvious from a look at his bids that he had taken them into account. It is easy for one unfamiliar with paper work to be trapped on such a technicality. When a contractor has been "out of the mainstream," procedures within the mainstream are new and unfamiliar, and strict enforcement can keep him out. Another black painting contractor interviewed has since performed work for the public school system, but he performed the work under the name of a white contracting firm.

³⁸Atlanta Daily Builders Report is a daily listing of projects up for bid and projects for which a building permit has been issued.

There are other examples of what being "out of the mainstream" means. Most minority contractors are subs, and most white (Anglo) general contractors already have a group of favorite subcontractors with whom they have become accustomed to working. As a subcontractor in Houston said, the only way a black contractor can break into a situation like this is to underbid greatly, and in underbidding, he cuts his own profit. Further, the 80 percent of the black contractors who do not hold memberships in white contractors' associations are excluded from important information networks.

Lack of information is often part of the problem. For example, the minority contractor who has been "out of the mainstream" may not know the proper form in which to put his financial records for examination by bonding companies. Also, the minority contractor may not be receiving information on jobs because he is not in a rich information environment; he is outside contractors' associations and other important informal networks in the construction industry. For example, city agencies fail to send him a letter announcing a new project because they do not know he is in business.

Although only one or two contractors labeled racial discrimination by unions as a chief problem, other minority contractors gave it some mention in the interviews. The two issues which received the most attention were getting their men into the union and obtaining incompetent referrals. The latter problem is usually not solely one of racial discrimination, but occasionally discrimination does enter into the picture.

Another area that contractors faced discrimination was in finding customers. Black contractors are not seriously considered for certain "white jobs." There are "white jobs" and "black jobs." For example, servicing air conditioners can be a "black job," but few whites would allow blacks to install one (traditionally a "white job"). This is so even though servicing an air conditioner in some cases may require more skill than installing one! Blacks appear to get traditional black jobs more easily than traditional white jobs. For instance, in Houston, one contractor's service business runs 90 percent white, but his installation business is only 5 percent white.

Eight complaints of racial discrimination as a chief problem came from the San Francisco-Oakland area. Of these, one was a very specific charge, filed with the EEOC, against the glaziers union, for refusing entry, and six others failed to mention any details. However, four noted problems in obtaining white customers later in the interview. In fact, overall a quarter of the contractors interviewed in San Francisco and Chicago acknowledged that they had difficulty obtaining white (Anglo) customers. The highest evidence of such difficulty was among Chinese contractors and lowest was among Japanese and Spanish American contractors -- all in San Francisco. Further insight on this issue was provided in the interviews with white contractors. One, a foreigner from Romania, complained that he faced discrimination in finding customers. Another, an Irish specialty contractor, when asked how he found general contractors to work for, said spontaneously: "They find me. They're all Irish!"³⁹

Discrimination against minorities is not confined to the white community; it is present in the minority community too. When asked why he failed to use the only black building supply house in Atlanta, one black contractor retorted in a sincere and serious tone: "Well, you know, when it comes to financial matters, you just can't trust a Negro." In addition, several black subcontractors in Oakland and Chicago complained bitterly about particular black general contractors who avoid using black subs.

In summary, there has been a reduction in overt discrimination. Yet covert forms of discrimination -- forms of discrimination which do not stop at the edge of the white community but actually permeate the self-image of the black community too -- have yet to be eliminated, and they are a more subtle enemy.

Interviews in late 1973 and early 1974 indicated that the problems of inflation and shortages were drawing increasing attention from minority contractors. Whereas not a single firm mentioned inflation as a problem in Houston and Atlanta in 1971, 12 minority contractors in Chicago and San Francisco-Oakland rated it as one of their chief problems.

³⁹ Confidential communication.

Small firms are hit hard by inflation of building material prices. Unable to stockpile, they are at the mercy of the market. Bids made at low material prices often have to be made good, even at sacrifice of profit. Facing unstable supply markets, contractors chafe at any long delays between bid deadlines and groundbreaking, as are often involved in government work. A few contractors mentioned that they avoid government work for this reason.

The problems presented small contractors by inflation are often compounded by the measures taken to remedy it. Small contractors are among the hardest hit by raising interest rates. With meager equity resources, such businesses must rely on borrowed funds to undertake any sizable jobs.

Conclusions

Minority contractors and subcontractors face a multitude of problems in expanding their businesses. They are beset by all the difficulties faced by small entrepreneurs, compounded by all the problems associated with minority status. The two problem areas most often mentioned by the contractors interviewed were lack of financing, particularly interim financing, and difficulties in finding and keeping capable workers. Other major problems were lack of management skills, inability to obtain workers, bonding, debt collection (especially for smaller contractors), inability to obtain jobs (in Houston), and price competition, discrimination, and inflation.

For perspective, the problems of minority contractors can usefully be viewed as a stream. Problems are omnipresent throughout the life of the minority firms but the composition of the problems changes with the stage of a firm's development. The cross section of the stream, representing the mix of problems which a contractor faces at any given time, is determined by several factors including: length of time in business, volume of work, size of contracts performed, and type of construction (e.g. service/rehabilitation/repair or new work; residential or commercial/industrial work). The width of the stream at any point provides a rough indication of the dimensions of problems a firm faces. Problems are

greatest in the beginning and in the more advanced stages (e.g., larger commercial work). Through any part of the stream, one could take a "slice," which would represent a mix of problems present in that stage of the firm's development.

Of course, the problems vary by trade. For example, a sheet metal contractor faces a higher financial entry threshold to establish his firm than does a tile contractor. Similarly, a general contractor is more likely to encounter bonding problems than would a specialty contractor. Problems differ according to trade because many significant differences exist among the trades, including: differences in the mode of operation; differences in the operating capital required (which varies according to such factors as what stage of building the contractor works on, how fast he completes his job, or how long between roughing and finish); differences in capital equipment required (which varies according to the type of project and the nature of the trade); differences in the licensing provisions or lack of same for the trade; and differences in the degree of competition existent in the trade.

The characteristics of a problem often change as the firm moves through the various stages of development. For example, whereas lack of management skills in the early stages refers to matters such as bookkeeping, in the latter stages, it refers to more complex tasks such as production scheduling or cash flow management. However, the problem of lack of management skills declines beyond some point because certain specialized management talent can be purchased outside the firm. Thus, the survey located a contractor with a third-grade education managing a multi-million dollar enterprise with a staff which included personnel with Master's degrees in business. In many trades, certain problems intensify as the contractor moves from one type of work to another (i.e., from remodel work to new work, or from residential work to commercial work). In other trades, they do not. In fact, in some trades, some problems diminish as the stage of development advances.

Placed within the framework of the "problem stream," the problems encountered by the minority contractor in a given trade fall into patterns. Financing is generally a problem throughout all stages of development although it is a crucial entry obstacle in certain trades, such as

ironwork or sheet metal contracting. Labor, on the other hand, does not become a problem until the firm has some employees. Three out of four minority firms in construction do not have even one person on the payroll. As a minority contractor's firm grows and hires a work force, the contractor attempts to sift through the workers hired, selecting the better workers to remain with the firm permanently as a "steady crew" or "key personnel." However, to maintain a steady crew intact, the firm must be able to keep them busy. Thus, the contractor becomes more concerned with marketing and maintaining a constant or increasing volume of business. As the firm grows, its need for skilled personnel increases as does the contractor's concern for recruiting and training. As a firm grows larger still, achieves a more stable level of work, and becomes unionized, the contractor's labor recruitment and training problems diminish because he can rely on union referral to obtain workers. His chief personnel worries may then focus on recruiting a competent supervisory staff. A problem which affects only the larger contractor is bonding. This is because smaller projects often do not have bonding requirements. Both financing and bonding intensify in discontinuous leaps or "bumps" as the firm grows or the contractor breaks into a new type of work. For example, when a contractor begins performing commercial work, his financial problems are increased due to the fact that commercial work is more commonly contracted on a 10 percent retainage basis than is residential construction.

Certain problems are a greater burden on small or new contractors than they are on those who have reached large or medium size. For example, finding jobs is likely to be a problem affecting those recent entrants into the business or into a particular stage of the business (e.g., commercial work). Debt collection appears to have the greatest impact on small marginal contractors -- especially those who can exercise little choice in the matter of selection of customers. Likewise, competition appears to affect the smaller firm more adversely. The smallest firms are under competition from craftworkers who operate illegally as subcontractors on small jobs without carrying insurance, or paying sales taxes, social security, or other payroll taxes. "Cheaper competition" characteristically is a problem for contractors in trades with easy entry requirements, such as tiling or residential painting. Contractors in strictly licensed trades, such as plumbing or electrical work are protected from this problem. As a firm grows, competition comes from

larger contractors who can obtain their building materials more cheaply. Many of the smaller firms which are only able to buy supplies at discounted retail prices have to compete against larger firms which have access to supplies at wholesale rates.

Of course, certain problems are aggravated by recession and high interest rates. Key among such problems are financing, which is reported to be the worst problem even in relatively prosperous times, and the growing problems of competing for scarce materials in shortage situations. Facing such problems, the small contractor has few resources and little power to cope.

The survey of minority contractors, which reflected a sample biased to include a greater than proportionate mix of larger firms, showed a definite pattern. A scattering of contractors mentioned problems characteristic of small or new firms. Many more respondents indicated encountering labor and financial problems. Only a few had faced a bonding problem, the problem which receives the most attention from the press.

In summary, minority contractors face the problems of being small, compounded by problems of their minority status. For example, although almost all contractors face problems of financing, minorities generally have had fewer internal resources and external contacts to draw upon. Similarly, though most small contractors are adversely impacted by the recession, those minority contractors who work proportionately more in the minority community are more heavily impacted as their traditional customers are harder hit.

Regardless of trade or stage of development, problems are so omnipresent that most minority contractors do not consider the future beyond the logistics of meeting the next Friday's payroll. Many work so hard -- supervising, estimating, working at the trade with the crew, hunting personnel or finances, bookkeeping -- that they have little time to plan for upgrading. They conduct all of the firm's business by themselves and live day to day or week to week, constantly facing the problem of merely surviving. When they do turn their attention to the future for a moment, they express a diversity of plans and ambitions that reflects the diversity of their situations.

CHAPTER 4

APPROACHES TO UPGRADING THE MINORITY CONTRACTOR: DEMAND STIMULATION AND SUPPLY DEVELOPMENT

The remainder of this paper deals with approaches to upgrading minority construction contractors. Efforts to assist minority contractors can be roughly divided into two classifications: those which concentrate on stimulating demand for the product or services of minority firms (procurement or job development efforts) and those which attempt to enhance the capacity of the minority firm to do larger or more work (bonding assistance, financial assistance, technical and managerial assistance and labor training). Individual approaches to demand stimulation and supply development are considered. In the following two chapters, two vehicles which seem to combine both approaches -- the joint venture and the minority contractor association -- are examined.

The Demand Stimulation Approach

The basic objective of the demand stimulation approach is to increase the volume of work contracted to minority firms. The approach is built upon the assumption that capabilities to perform the work exist currently among minority firms or can relatively easily be developed through on-the-job experience. Demand stimulation involves the redirection of procurement policies to increase the volume of construction work performed by minority contractors. Attempts have been made to redirect both private and public procurement through publication of lists identifying minority contractors. However, since public procurement and procurement by government contractors is more subject to policy manipulation, it receives most of the effort.

Some writers have suggested that Government expenditures, which comprise such a large portion of total construction expenditures, can fruitfully be directed to

assist minority contractors. Several Government programs have been based in part on this rationale. In support of this view, Debro argues:

Construction in the public sector represents the greatest opportunity for minority builders since there exists the legal requirement of open, competitive bids.¹

On the other hand, Mills points out that precisely because competitive bidding is required on publicly assisted jobs, and the lowest responsible bidder must be selected "opportunities for favoring minority contractors (on public jobs) are limited" and thus "the greatest promise of assistance to black contractors is through cooperation with larger contractors on privately financed jobs." Mills argues that private work offers more flexibility to assist minority contractors.²

In fact, however, competitive bidding is not required on all public construction. For example, New York State Urban Development Corporation negotiates its contracts bypassing the policy of accepting the lowest bidder.³ As one consequence of this negotiation procedure, minority firms in New York state received more than \$124 million in contracts from 1971 through June 30, 1974, either as exclusive contractors or through joint ventures with larger white contractors.⁴

Remarks made by contractors interviewed regarding Government work provide additional indications that

¹ Joseph Debro, "The Minority Builder," Labor Law Journal, Vol. 21, No. 5 (May, 1970), p. 301.

² Daniel Quinn Mills, Industrial Relations and Manpower in Construction (Cambridge, Massachusetts: The MIT press, 1970), p. 174-75.

³ Reginald Stuart, "Construction Lag Hurts Minority Builders," The New York Times, June 17, 1974, p. C-47.

⁴ Memorandum from Jerry T. Dawson, deputy affirmative action officer, Urban Development Corporation to Dr. Kenneth Clark, chairman, Affirmative Action Committee, entitled "Affirmative Action Summary Report," dated July 8, 1974, p. 2.

competitive bidding is not always the mode. Several respondents indicated that despite open bidding requirements, in practice, obtaining government contracts is a highly political matter. It was the view of some contractors that "One has to be politically connected in order to obtain the larger government contracts."

The issue of bidding requirements aside, it is perhaps most useful to view Government construction as a form of work which possesses certain advantages as well as disadvantages. On one hand, Government work may be a way a contractor can build his business. An established white contractor interviewed for this study indicated that he had built up his business initially by performing Government work, pointing out that Government work "is one of the few available routes to breaking into construction." Since becoming established, however, he performed mainly private work.

On the other hand, public work is regarded as one of the most difficult types of construction work to perform because much of it has several undesirable characteristics, including: abundance of paperwork, bonding requirements, payments lags, inspection requirements, greater vulnerability to sudden changes in public policy (such as the 18 month moratorium on housing projects imposed in 1973). In addition certain types of government work are subject to fierce competition and thus low profit margins. For example, according to several persons interviewed, when work slows, many larger white contractors will bid on government housing projects at break even or a very small margin to keep their established crews busy and intact, while waiting for more lucrative jobs in the private market. As another example, the FHA repossessed housing program in some places has the reputation among minority contractors of being cutthroat and undesirable. As one black contractor in Houston describes it: "This is the sort of work which keeps us poor."⁵ Even in heavily unionized areas, FHA repossessed housing work is generally nonunion because it comes under the \$2,000 limit to which Bacon Davis applies.

Bidding and contracting procedures are so formidable in some agency work such that some contractors consider

⁵Confidential communication (1971).

that they have so much of an investment in learning the procedures that they may attempt to specialize in the business. However, market specialization in construction may be dangerous. Facing the insecurity inherent in unstable construction markets, it is the wise contractor who attempts to diversify his business as much as possible.

In conclusion, a newly established contractor cannot afford to ignore any market sector. If the firm is to grow, it cannot be limited to private work exclusively or for that matter only to Government work. As a contractor grows and becomes more established, he becomes more selective as to the type of work he will accept. Some wish to concentrate on Government projects while others will not touch them.

Interestingly, although government procurement offers promise in assisting growing minority contractors, no affirmative action requirements for utilizing minority enterprise have been implemented as counterpart to the affirmative action requirements for minority employment specified in Executive Order 11246. However, a variety of scattered efforts in the form of affirmative action pressures and set asides have been undertaken over the past decade. In the following sections, these efforts are examined and reviewed as to their effectiveness.

Identifying Minority Firms in Construction

One of the chief forms of efforts to upgrade minority contractors which has been taken to date is identifying minority firms in construction. The U.S. Department of Housing and Urban Development (HUD) alone has spent more than three quarters of a million dollars for this purpose. This approach is based on the assumption that a major deterrent to affirmative action to increase participation of minority firms on Federal work has been a lack of knowledge as to the identity of minority group construction contractors.

Because construction firms are generally less visible than other types of business enterprise, efforts at identification may not be unreasonable. As noted in Chapter 2, the majority of minority contractors generally do not have offices but rather operate out of their homes. Further, since few minority contractors are listed in the telephone book and less than one out of four belong to a nonminority trade association, they are difficult to locate.

The most extensive attempts to identify minority contractors nationally have been the efforts funded by HUD. In July, 1969, HUD issued an \$173,760 contract to the National Association for the Advancement of Colored People (NAACP) to compile a survey of minority contractors in the United States to be used in matching minority firms with contract opportunities on Federal or Federally-assisted projects. The NAACP in turn subcontracted the task of identifying Spanish-surnamed contractors to Jobs for Progress, Inc., Operation Service, Employment and Redevelopment (SER). The findings of this 48-city survey were published as a six-volume Registry of Minority Construction Contractors in July, 1970. The registry contains more addresses, and some background information on 2,051 black and Spanish-surnamed contractors.

In Spring, 1972, HUD awarded \$391,000 to the National Urban League Development Foundation and \$191,000 to SER to update and expand the listing to include all minority professionals involved in housing production or urban development in 89 cities across the nation. SER subcontracted its work on the project to Juarez and

Associates, a consulting firm owned by a former executive director of SER.⁶

Information was collected from March through May of 1972 compiled, and submitted to HUD in September, 1972. A year later, HUD published the results of the survey in a ten-volume Registry of Minority Contractors and Housing Professionals.

In August, 1974, a \$52,020 contract was awarded to a private firm -- Ken Guscott Associates of Boston -- to provide a second update of the Registry.

In addition to the HUD efforts, a wide variety of public agencies and private organizations publish listings of minority businesses, including construction contractors. A geographically-arranged compilation of such listings is published each September by the National Minority Business Campaign.⁷ This listing is by no means complete but it is the best compilation that is regularly published.

Compiling lists of minority contractors has inherent limitations, namely:

(1) Lists provide a static picture of a very dynamic market situation. Any published listing quickly becomes out of date soon after it is published.

Such obsolescence occurs so rapidly that a delay of any significant length between collection and publication of information means that the list is significantly inaccurate even upon publication.

⁶ A statistical summary of the work with Spanish American professionals was published by Juarez and Associates. See A Report: National Survey of Minority Professionals and Businesses in Housing Production and Urban Development (Los Angeles: Juarez and Associates, 1972).

⁷ See Guide to Minority Business Directories, annual editions (available from National Business Campaign, 1016 Plymouth Avenue, Minneapolis, Minnesota 55411).

(2) A mere listing of names and addresses and phone numbers with no reference to the specialty and capability may do more harm than good. For example, persons interviewed cited several cases of white contractors trying one name on a list, finding the contractor unsuited, and giving up.

(3) When descriptive information on minority firms is provided, it is often more suitable to manufacturing businesses than construction. For example, one of the most detailed listings of minority contractors in the San Francisco area is published by a private firm, Source Publications in Berkeley. In this publication, every firm is listed with a full page description. Unfortunately, many of the characteristics detailed -- such as square feet of available storage space, quality control, pieces/rates -- are inappropriate to construction while critical information such as union status, bonding capacity, license number are omitted. The Source Publications listing is not atypical in this regard. The HUD Registry of Minority Contractors and Housing Professionals listed all contractors together in one category, failing to specify specialities.

(4) Even if complete and accurate, lists will not insure greater utilization of minority contractors. Lists by themselves do not generate jobs for minority contractors. They can only provide general contractors and construction owners with knowledge of contractors. Indeed, this knowledge can be misused, causing the minority harm. For example, a white general contractor can request a bid from a listed minority without ever having the intention of accepting it. In this case, the minority takes the time and expense to prepare a bid for no possibility of return. Such experiences had happened to a few contractors interviewed, leaving them embittered and generally distrustful of bid requests from unfamiliar sources.

All the previous is not to indicate that listing is not useful or necessary. An up-to-date list of capable minority contractors is a fine tool in the hands of a vigorous compliance officer or minority contractor association. One of the best examples of an effectively used list is one published by the Affirmative Action Office of the San Francisco Redevelopment Agency (SFRA). Originated in 1967, the list has been updated several times. The SFRA list includes

only firms with state licenses and is conveniently arranged by trade. However, its chief limitation is that it provides no indication of the capabilities of individual firms so that, for example, under the category "ironwork" are listed businesses which specialize in ornamental ironwork, reinforcing ironwork, fence-building, and tool sharpening.

Such a limitation would be severe in the absence of someone with fuller knowledge to match firms with opportunities. On the basis of the information listed as well as his personal knowledge of the capabilities of individual contractors, the agency's affirmative action officer, Benson Hattem, individually refers minority contractors and majority contractors to one another. Further, he generally follows up to find if the match was successful. Several minority contractors interviewed observed that Hattem had been of "as much or greater assistance" to them in securing work than were the efforts of any of the minority contractor associations to which they belonged.

While generating lists of minority contractors is by itself of questionable usefulness, identification of minority firms is a necessary part of any effective effort to upgrade them. Thus, guidelines for compiling listings are provided in the following.

First, listings are best generated locally and continually updated. Second, each list should be dated according to when the information was collected, so that users can evaluate the obsolescence factor. Third, listings are most useful if organized by trade -- preferably with some information noting the capacity and specialities (if any) of each contractor. Fourth, in order to locate as complete a listing of contractors as possible, it is essential to utilize a wide variety of information resources.⁸ Probably the most fertile source of information is referral from the contractors themselves. Contractors can make referrals to firms that would not otherwise be found. In view of this, minority contractor associations are natural vehicles for collection of such information. Many contractor associations collect such information anyway as part of their function. Under

⁸ For a description of sources employed in this study, see Table A-45.

past practices, they have been a major supplier of information to others who in turn get paid for it. Further, associations know the construction industry better than do local chapters of civil rights groups or others not specialized in construction. Moreover, minority contractor associations are organized in almost every major population center in the nation. As of September, 1973, minority contractors existed in 118 cities across the United States.

Utilizing minority contractor associations to furnish listings of minority contractors makes sense but it is not without problems. Individual associations vary considerably by degree of organization and capacity. Some associations have to date given little priority to compiling a complete or accurate list of contractors in their area. Further some associations might be reluctant to identify nonmember contractors lest it increase competition for their own membership. Some associations might refuse to participate in publishing lists, preferring instead to have customers contact the association for individual referrals. Finally, it would be unwieldy for the government to contract with each local association individually and the national association is currently not strong enough to undertake such an effort alone (although it has the benefit of a good start at it in the circulation list for Minority Builder magazine).

Perhaps the best approach would be a well-monitored contract to the NAMC with subcontracts in turn to individual associations. This arrangement would have the added benefit of strengthening the NAMC and furthering its relationship with local associations. Compiling lists should be recognized as only a first step. The key task is to utilize such lists. And minority contractor associations are in an excellent position to ensure that listings are utilized.¹⁰

⁹A listing of such associations, the most complete available to September, 1973, may be obtained from the Center for the Study of Human Resources, the University of Texas at Austin. Probably the best regularly published listing of associations may be found in Try Us, annual editions (Available from the National Minority Business Campaign, 1016 Plymouth Avenue, North, Minneapolis, Minnesota 55411).

¹⁰The potential and problems of minority contractor associations are discussed more fully in Chapter 6 of this paper.

Procurement Conferences

Beyond identifying minority firms, government attempts to stimulate contracts for minority firms have taken the form of workshops to instruct minority contractors in bidding procedures on Government projects. Such workshops have been sponsored or co-sponsored by several organizations, including the Small Business Administration (SBA), the Office of Minority Business Enterprises (OMBE), the U. S. Department of Housing and Urban Development, as well as state and local agencies. The programs have usually featured talks by purchasing agents from various government agencies. Some workshops have specifically focused on construction. Others have been designed for any minority business interested in supplying goods or services to the government. Such conferences have been conducted numerous times in each of the cities studies.

For several reasons, procurement workshops have enjoyed limited success in attracting minority contractors to bid and perform government work. First, government agencies which have had low minority participation on past contracts face creditability problems in convincing minorities that bidding procedures are now open to them. Second, since procurement and bidding procedures are generally complex and vary from agency to agency, minority contractors are understandably reluctant to invest in learning when they have little assurance of obtaining contracts for their efforts. Third, inability to obtain bonding has prevented some conference attendants from bidding government work.

Although procurements conferences have resulted in much frustration for the contractors as well as agency procurement officials, they have played some useful roles, such as providing initial channels of communication between contractors and agencies and serving as forums for minority grievances. Further, procurement conferences provide introductions which can be followed up in more productive one-on-one tutorial relationships. Procurement conferences have also shown that mere information exchange and "an open door" policy is insufficient to assure significant participation of minority firms in government work. Thus, other efforts, such as the set-aside, have been pursued.

The Set-Aside

The practice of setting aside government contracts for particular groups of firms had long precedent before the technique was applied to minorities. The U. S. Department of Defense has used set-asides to help support small firms. Further, under Section 8(a) of the Small Business Act of 1953, as amended, the Small Business Administration was empowered "to enter into contracts with the United States Government and any Department, Agency, or Offices thereof having procurement powers obligating the Administration to furnish articles, equipment, supplies, or materials to the Government" and "to arrange for the performance of such contracts by negotiating or otherwise letting subcontracts to small business concerns or others." In other words, the SBA may serve as prime contractor to government purchasing agencies and then subcontract to qualified small firms.

Due in part to the prodding of the lobbying efforts of minority contractors, the SBA's 8(a) purchasing program was extended to disadvantaged construction contractors in 1969.

Theoretically, the 8(a) program operates to accomplish its stated purpose in three ways. First, it affords the recipient contractor an opportunity to prove his ability to undertake large projects which would be unavailable to him through normal channels. Secondly, in allowing a contractor to operate near his full capacity, the 8(a) program permits the contractor to function more efficiently by spreading his fixed costs over a larger output. Finally, technical assistance is to be provided to 8(a) contractors, thus enhancing the training aspects of the 8(a) program.

Despite the laudable objectives of the 8(a) program, interviews in Houston and Atlanta revealed a rather unfavorable picture of the program in 1971. In brief,

the program results in Houston and Atlanta had been meager, largely because of faulty outreach, partially resulting from inadequate staffing of the program on the local level, and partially because of ineffective efforts on the part of the existing staff.¹¹ Among the contractors interviewed, only 28 contractors out of 101 (or 28 percent) were even familiar with the program. Of these 28, nine had submitted resumes and been accepted in the program, and only two (both in Houston) had performed work under the program. Not a single 8(a) contract was found let to a minority contractor in Atlanta (see Table A-47).

By 1973-1974, when interviews were conducted in Chicago and San Francisco-Oakland, outreach for the 8(a) program had considerably improved. In these two cities, 136 of 190 (or 72 percent) of the contractors interviewed were familiar with the program and 61 firms (or 32 percent) had been accepted into the program. The key problem,

¹¹Further detail on the operation of the 8(a) program in Houston and Atlanta in 1971 is contained in Robert W. Glover, "Developing and Upgrading Minority Construction Contractors: The Atlanta and Houston Experiences" (Austin, Texas: unpublished Ph.D. dissertation, 1972), pp. 156-162.

however, was lack of 8(a) contracts. Over half of those accepted for the program had not performed any work under it (see Table A-47).

Upon further investigation, the author found that the experience of the contractors interviewed was indeed representative of that of other firms under the program. SBA sources revealed that, as of midsummer, 1973, 81 of 135 construction firms with resumes accepted for the program in Federal Region IX had not received a single contract. Further, some of these firms had been listed for two years or more.¹² One official argued that it is unrealistic to expect such a small staff to effectively perform all the functions included in the SBA role in the program: contract development, outreach, contractor prequalification, contract negotiation, and followup monitoring and technical assistance.¹³

Although lack of available contracts was one of the chief criticisms minority contractors had to offer regarding the program, it was not the only one. Several contractors complained that they were unable to develop their own work under the program, although Washington SBA spokespersons contend they may.¹⁴ Secondly, some contractors charged that costs on 8(a) contract prices were negotiated at unrealistically low levels and that minority contractors undertaking such work were incurring huge losses. Some contractors related experiences they had heard from other contractors. Allegedly, some low-priced 8(a) contracts, having been refused by minority

¹² Confidential communication (1973).

¹³ Ibid.

¹⁴ Statement of Joseph Conrad, director, Minority Contractors Development Program, Small Business Administration to the National Association of Minority Contractors Regional Conference in Houston, January 5, 1973.

contractors, were later put out for regular bid, only to be won at prices substantially above the 8(a) official price. Unfortunately, there were never sufficient details related to enable the author to verify the accusation. However, it is clear that any program such as 8(a) is dependent on good faith efforts by all parties involved, including the contracting agency for whom the work is to be done.

A major problem with the operations of the 8(a) program is that interagency cooperation essential to success of the program has not been forthcoming. Some agencies, such as HUD, have avoided using the program, preferring to operate their own assistance efforts for contractors.¹⁵ Other agencies, concerned more with getting their contracts completed than developing minority firms, have participated in the 8(a) program only reluctantly.

Some contractors were pleased with the performance of the 8(a) program but offered suggestions for its improvement. Two such suggestions were for SBA to increase its staff on the program and to obtain persons knowledgeable about construction estimating to assist with agency negotiations on 8(a) contract prices.

As the experience of many minority contractors interviewed bears out, larger government projects offer a good way for minorities to develop a track record on larger projects. Among those who have obtained government work, 40 percent indicated that the largest contracts they had ever performed were public jobs (see Table A-25). Several of these jobs were performed under the 8(a) program.

¹⁵Under one such effort in Los Angeles, HUD set aside 1,000 units of federally-financed housing with a mortgage value of \$21 million for minority builders and developers. However, this effort has not been replicated since.

Some who stress demand stimulation as the solution to problems of minority contractors are often surprised to learn that a few of the larger minority contractors are currently getting all the business they can handle and are very selective about the projects they undertake. It is clear that for a few of the larger minority firms, obtaining job offers little problem. In fact, some of the best minority firms are (in a good market) in the enviable position of being able to "pick and choose" for whom they work -- just as do many of the better nonminority firms.

The critical case is that of the promising contractor who is attempting to break into new work (such as Government work, commercial, industrial, or large contracts) on which he has little or no track record. It is with this type of firm that the supply development approach is required.

The Supply Development Approach

The supply development approach to minority contractor upgrading assumes that work is readily available for minority firms if only they could qualify to perform it. This approach places emphasis on improving the bonding, financial and performance capacity of minority firms in construction.

Supply development has taken a variety of forms. Chief among these have been the provision of bonding and financial assistance and managerial and technical assistance and labor training. All of these forms are discussed in the following sections.

Financial and Bonding Assistance

One of the earliest efforts to deal with the bonding and financial problems of minority contractors was made by the Ford Foundation. Responding to requests for assistance from minority contractors in various parts of the country and to the suggestion of representatives of the U. S. Department of Housing and Urban Development, the Ford Foundation initiated discussions in 1966 with several major surety companies to deal with the bonding problems of minority contractors. As an outcome of these discussions, in June, 1968, the General and Specialty Contractors Association (GSCA) of Oakland, California, was financed to establish a revolving loan fund and a bonding aid program for contractors.¹⁶ The Ford Foundation then attempted to model the program¹⁷ and replicate it in Cleveland, Boston and New York.¹⁸ The New York City project was the beginning of the Urban Coalition's involvement in programs which later blossomed into the Minority Contractors Assistance Program (MCAP).

Initially formed by the Urban Coalition with the help of the National Association of Minority Contractors, MCAP is a Washington-based organization focused on remedying the financial and bonding programs of minority contractors. In July 1970, MCAP negotiated a \$2 million, fifteen-year loan with five major insurance companies. The loan was supplemented with a \$500,000 grant from the Ford Foundation, together with a \$390,000 grant from the Economic Development Administration. These resources were made available to local contractor associations to establish "revolving loan funds" for liquidity capital and technical assistance to member contractors along the lines of the pilot experimental models in Boston, Cleveland, New York City and Oakland.

¹⁶"Grant Promotes Minority Builders," Engineering News Record (July 11, 1968), pp. 27-29.

¹⁷See Douglas Pugh and Matthew Domber, Minority Contractors Bonding Program: A Manual of Organizational Steps and Procedures (New York: Ford Foundation, Division of National Affairs, 1968), p. 2.

¹⁸Douglas G. Pugh, "Bonding Minority Contractor," in Black Economic Development edited by William F. Haddad and Douglas Pugh (Englewood Cliffs, New Jersey: Prentice-Hall, Inc. 1969), pp. 138-150.

In addition to its efforts in providing loan funds to minority contractor associations, MCAP has provided technical and managerial assistance to associations as well as some individual minority contractors on larger contracts.¹⁹ It also has published guidebooks for use by contractors and their associations,²⁰ has worked with private corporations and government agencies with major building programs, to promote participation of minority contractors,²¹ and has conducted various seminars and workshops on minority construction problems and solutions.²²

¹⁹ Personal interview with Thomas Brown, director of technical assistance, Minority Contractors Assistance Project, Washington, D. C. (July 31, 1973).

²⁰ See for example, Minority Contractors Assistance Project, Standard Record-Keeping Procedures for Contractors (Washington, D.C.: Minority Contractors Assistance Project and the National Urban Coalition, undated) and MCAP Guidelines for Increasing Minority Participation in the Construction Industry (Washington, D. C.: Minority Contractors Assistance Project, undated).

²¹ As one example of this type of activity, MCAP is assisting implementation of an interagency agreement (between the U. S. Department of Housing and Urban Development, the Office of Minority Business Enterprise, and the Small Business Administration) "to help furnish information, training, and financial aid to small and minority group home repair contractors who want to get involved in HUD's property disposition program." MCAP's particular role will be to provide followup training for minority contractors. See "HUD, OMBE, and SBA Project to Employ Minority Contractors in Home Repair," Fair Employment Report, July 1, 1974, p. 12.

²² For further details regarding the MCAP effort, see "Black Hardhats Organize: The Story of Minority Contractors Assistance Project," Black Business Digest, March 1972, pp. 22-24, and 59.

Civil rights groups, such as the National Urban League, the NAACP and Recruitment and Training Program (RTP) have assisted individual minority contractors to negotiate, finance, and obtain bonding for projects of significant size. Similar efforts have been made by the Opportunity Funding Corporation (OFC), established in June, 1970, with a \$7.4 million grant from the Office of Economic Opportunity. As one of its five major activities, the OFC operated a "Contractor Bonding Program." This program has utilized various financial devices, including letters of credit, capital loan guarantees, equity guarantees, and credit line guarantees to assist minority contractors to obtain bonding. None of the contractors interviewed acknowledged receiving any help from these organizations, however.

A few minority contractors have reduced or eliminated their financial problems with the aid of special efforts by local financial institutions to assist minority business. As of the end of 1971, four minority contractors in Atlanta had received financial help from the Community Development Corporation (CDC), a subsidiary of the Citizens and Southern Bank established to make soft loans to disadvantaged businessmen. Sam Pierce, assistant director for CDC in Atlanta, reported that one of the four had achieved substantial growth since he was financed. In Chicago, assistance from Hyde Park Bank and Southside Bank, two white-owned institutions which have consciously attempted to increase minority loans, was acknowledged by a few of the contractors interviewed. One of the most publicized private efforts is being made in New York. In September, 1972, Morgan Guaranty Trust Company set into operation a special "Minority Contractors' Program" to boost selected minority contractors in New York City from a contract level of \$50,000 to a level of \$1.5 million over a three year period.²³ The goal of the project was to build a model program of financial assistance for minority contractors which could be adopted by Morgan's correspondent banks and replicated in other cities. At last report in October, 1973, the program had made five loans to minority contractors supporting \$3.5 million in contracts.²⁴ While such efforts

²³ Morgan Guaranty Trust Company, "Morgan Guaranty's Minority Contractors' Program," (New York: Morgan Guaranty Trust Company, mimeographed, undated), p. 1.

²⁴ Personal correspondence from Woodie G. Williams, Assistant Vice-President, Morgan Guaranty Trust Company, New York, Dated October 17, 1973.

are useful and beneficial to a handful of minority contractors, they represent only a drop in the bucket toward fulfilling the universe of need. To make a meaningful contribution toward alleviating the financial problems of minority contractors, far greater efforts on the part of private financial institutions need to be forthcoming.

At the forefront of federal efforts to increase the financial and bonding capacity of minority contractors is the Small Business Administration (SBA). Through its economic opportunity and other loan programs, the SBA has attempted to service the financial needs of disadvantaged businessmen since the mid-1960's.

Minority contractors in Houston and Atlanta in 1971 were highly critical of SBA performance. At that time only seven of 90 contractors (or eight percent) had ever received an SBA loan at any time, and none rated SBA as a chief source of financing. Further, contractors expressed considerable criticism regarding available SBA loan programs which centered on the following themes:

- (1) The loan application process takes too long. The typical waiting period for a successful loan was six months. Only two contractors received a loan within four months. One of these had received a loan in 10 days. The loan helped him to start his business. The other stated that he received a \$12,500 loan within three weeks. Thus, it is apparently possible to process loans within a short period of time. Many of the 15 contractors who failed to obtain a loan simply gave up during the long wait. Many others have never applied for an SBA loan because they had heard fellow contractors complain about the delay.
- (2) The loan money is available for what the contractors do not need (i.e., to finance establishment of an office or purchase of more equipment) but seemingly never available for what they do need (i.e., interim financing to pay for supplies and payroll).
- (3) Loans are not large enough to be of any assistance.

(4) Too much paper work is involved in obtaining a loan.²⁵

(5) Loans are not available for those who need them.
"You can only get a loan if you already have money."

In 1971, the SBA started two new programs which were designed recognizing some of the special problems facing disadvantaged contractors in construction. These were the "Revokable Revolving Line of Credit Program" and the "Surety Bond Guarantee Program." Through the former, a qualified contractor could establish with his private bank a line of credit up to \$350,000 under an SBA guarantee. Under the Surety Bond Guarantee program, surety bonds on contracts to \$500,000 may be 90 percent guaranteed by the SBA.²⁶

Interviews conducted for the study in 1973-74 in Chicago and San Francisco-Oakland offered the opportunity to view the impact of the two new programs and assess any change in contractors' attitudes toward the SBA.

In brief, criticism of SBA loan programs by minority contractors did not abate in the interim between 1971 to 1973-74. In fact, for every contractor who had a favorable word to say about the SBA, there was another who offered a mixed opinion, and seven others who had unfavorable comment only.

Although many of the criticisms were much the same as those expressed by southern contractors in 1971, contractors gave recognition to some improvements brought by the new "revokable, revolving line of credit" program. The application process still involved a long delay and

²⁵ At least one study has found that the paper work and unfamiliar forms used by the Small Business Administration have even deterred bankers from participating in SBA loan programs. See Albert Shapero, Cary Hoffman, Kirk P. Draheim, and Richard P. Howell, The Role of the Financial Community in the Formation, Growth, and Effectiveness of Technical Companies (Austin: Multi-Disciplinary Research, Inc., for the Ozarks Regional Commission, 1969), p. 50.

²⁶ Information on the SBA Bonding Guarantee Program is detailed in the article, "The SBA Bond Guarantee," Black Enterprise, February, 1972, p. 54.

much paper work, they insist, but once approval is granted, the contractors on the program expressed satisfaction with the program because it was specifically designed to provide funding they need -- interim financing. Others stated that "the program is good as far as it goes" but complained that "the money is available for only one job at a time." Such a limitation might be suitable for a general contractor or a large subcontractor who had one major job at a time, but it is less appropriate for the smaller specialty contractor who performs several jobs at once.

The survey in Chicago and Oakland-San Francisco also indicated that a large portion of minority contractors are yet unfamiliar with the program. Although most contractors knew generally that the SBA made loans to businesses, more than half had not heard of the "revokable, revolving line of credit program" Sources of information for the ones who were familiar with the program, in order of frequency, were minority contractor associations, the SBA itself, a bank, or fellow contractor. About one out of ten minority contractors interviewed was participating in the "revokable, revolving line of credit program." Further, four percent of the contractors consider the SBA to be their chief source of financing.

Knowledge of the Surety Bond Guarantee program was more widespread and more contractors interviewed had participated in it. Of 188 respondents, 109 or 58 percent were familiar with the program and 35 had participated in it. (See Table A-47.) One reason for the better outreach on the Surety Bond Guarantee program is that the 90 percent guarantee has lured several smaller surety companies to serve this guaranteed market. Nationally, as of April 20, 1974, 21,470 guarantees had been granted resulting in 14,226 contracts obtained. An estimated 40 percent of the guarantees were made to minority contractors.²⁷

Aggregate figures regarding participation in the new SBA programs mask important differences by area and minority group. Data collected in contractor interviews as well as SBA data confirm that "revokable, revolving line of credit" and the "surety bond guarantee" program are both more vigorously pursued on the West Coast. Efforts need

²⁷ Telephone interview with Sal A. Lauricella, director, Surety Bond Guarantee Program, Washington, D.C. (May 13, 1974).

to be pursued within SBA to bring knowledge of the program up to pace in other areas. Secondly, blacks are more familiar with the programs than other minorities possibly because blacks are better organized. Efforts need to be made with other minorities as well.

Technical and Managerial Assistance

One of the most critical tasks involved in the upgrading of minority firms in construction is the provision of technical and managerial assistance to minority contractors. Also, it appears to be one of the toughest tasks to accomplish.

Attempts to provide technical and managerial assistance to minority contractors have taken a variety of forms. The Office of Minority Business Enterprises has funded business development groups which have helped contractors individually with such matters as accounting or loan packaging. One of the business development organizations which received the most favorable reviews from contractors is ASIAN, Inc. which serves Chinese, Japanese and Filipino contractors in the Bay Area.

In addition to business development organizations, OMBE has developed the specially-focused Construction Contractor Assistance Center (CCAC) program, which "provides management and technical assistance and monitors the operations of minority contractors to enable them to acquire bonding, financing, and other resources needed to compete effectively."²⁸ As of July, 1973, OMBE had funded 17 organizations to operate as CCAC's. Of these, 13 were local associations of minority contractors.²⁹

²⁸Office of Minority Business Enterprise, OMBE Funded Organizations (Washington, D.C.: U. S. Government Printing Office, 1973), p. 5.

²⁹Personal interview with William Brewster, Office of Minority Business Enterprise, Washington, D.C. (July 31, 1973).

Several seminars and classroom workshop series have been held. The Turner Construction Company and others have sponsored classroom courses held in local colleges. Overall, the accomplishments of the classroom efforts have been limited; and in fact some Turner officials indicated reluctance to repeat the experience. One major problem is getting minority contractors to attend such sessions. This, in turn, involves making the sessions meaningful to contractors and finding a convenient time when contractors can attend.

In Los Angeles, a major corporation (outside the construction industry) has loaned one of its black executives to assist a group of black contractors. In various cities across the country, the SBA enlists the help of active businesspeople and retired executives through its ACE and SCORE programs. The U. S. Department of Labor had funded the Latin American Construction Contractors of Chicago who have in turn sponsored a preparation course for licensing exams in plumbing. United Builders of Chicago established a model cities funded technical assistance effort. Primarily this has in practice meant assistance with estimating and bidding.

Technical assistance is critical because many minority contractors get into business with little more than an excellent knowledge of their craft. Few have supervisory experience with larger construction projects, few had prior business training, and the majority lack business skills. A major exception has been a small core of established southern black contractors who have graduated from vocational programs in black colleges which taught them how to establish their own firms in a world which would not hire them as employees. However, as job opportunities have opened up for black graduates, black colleges have revised their curricula to take the focus off preparing graduates for self-employment.

Person-to-person tutorial efforts between individuals who have established relationships over time seem to work well.

Contractors interviewed expressed preference for on-the-job training dealing with concrete problems specific to their firms rather than general classroom instruction. The wide diversity of minority firms, each with particular problems, require a wide array of technical assistance and individualized attention. Uncovered in this study were many examples of individual efforts or white contractors or employees of major firms to provide technical assistance. One white electrical contractor in Atlanta taught a fellow black contractor how to bid and estimate by checking over his bid. In Chicago, a key employee with estimating and management skills of a major firm has effectively provided technical assistance on a one-to-one basis to a few promising black subcontractors. An established white contractor in Berkeley has joined at least two struggling black firms as a longterm "low profile" partner. Meaningful joint ventures between white firms and minority firms in Chicago and the San Francisco Bay Area have similarly provided learning opportunities for several minority contractors.

At a minimum, effective tutorial efforts require an atmosphere of mutual respect and trust. Only in such an environment is communication and learning possible.

A source for increasing numbers of minority contractors is the pool of apprenticeship graduates placed through apprenticeship outreach organizations. The Recruitment and Training Program (RTP) of New York City, one of the oldest existing outreach organizations reports that already some of the apprenticeship graduates it has placed have moved up to become contractors on their own.³⁰ Similarly, the staff of United Builders of Chicago has worked with apprenticeship graduates originally placed by the Urban League LEAP program in that city to develop some of the most promising young minority firms in that city, including the only black structural steel contractor identified by this study.

Other potential sources of training for future minority contractors are the courses and programs currently offered

³⁰Cited in "Training Minority Craftsmen," Minority Builder (May/June, 1974), p. 6.

in construction management and construction technology in 83 colleges and universities across the nation.³¹ Greater affirmative action efforts are needed to ensure greater minority enrollment in these programs.

Labor Training

The idea of coordinating manpower training for the disadvantaged with a minority business development program has great appeal. At least one recent study has alluded to the potential benefits of doing just this.³² In construction, there is the added appeal of offering a method of integrating building trades unions.

Some experience with combining job training with business development has been accumulated.

The original labor training effort among minority contractors was Project UPGRADE in Oakland. Since UPGRADE, labor training programs operated by minority contractors have been funded through the JOBS program (either on an individual firm or consortium basis), Model Cities programs, and direct grants from the Department of Labor, such as to the Latin American Task Force in Chicago in 1973. In addition, since minority contractor associations fit the definition of community based organizations under the Comprehensive Employment and Training Act of 1973 (CETA), they have become candidates for funding from state and local CETA prime sponsors.

For a variety of reasons, the results of these labor training efforts have been mixed, with the programs in practice falling far short of their conceptual ideals. Some programs have been badly implemented. Unions have resisted specialized training programs in construction,

³¹A listing of schools of higher education offering construction curricula is provided in Construction Education Directory (Washington, D.C.: The Associated General Contractors of America, Education and Research Foundation, second edition, 1974).

³²Vernon John Dixon, A Determination of Investment Priorities in Urban Black Communities: Bedford-Stuyvesant (Princeton, New Jersey: Unpublished Ph.D. dissertation, Princeton University, 1973), p. 179.

viewing them as second-rate training designed to circumvent the apprenticeship system. NAB-JOBS officials in Chicago and San Francisco relate that for both areas together to 1974, only eight JOBS programs had been performed in construction and that all future programs in construction required written concurrences from union business agents. Graduates of Project UPGRADE experienced difficulty in gaining union membership upon graduation. Even though the project was co-sponsored by the Alameda Building and Construction Trades Council, individual local unions refused to cooperate with it. Officials of State Apprenticeship Councils (SAC) and U. S. Bureau of Apprenticeship and Training (BAT) have denied trainee certification to Project UPGRADE and other programs operated by minority contractors. Lacking such certification, trainees are refused GI Bill benefits and contractors must pay full journeyman scale to all trainees on government jobs covered by the Bacon Davis Act. BAT and SAC officials charge that such programs have inadequate related training components, exploit workers, and do not prepare graduates to undertake work as full-status journeymen. UPGRADE officials deny the charges. Unfortunately, lacking hard data on the experience of past graduates of the UPGRADE program, it is difficult to weigh the arguments on each side of the controversy. Further, even assuming perfect information were available, the emotional nature of the controversy has hardened positions such that a solution without intervention by a third party is unlikely to be forthcoming nor will it be easily obtained in negotiation.

One thing is clear, however. Union resistance to minority contractor training efforts is driving many minority contractors to join ranks with nonunion contractors and nonunion organizations such as the Associated Builders and Contractors (ABC) and the Associated Independent Electrical Contractors (AIEC) to solve their training problems. By 1975, overtures in this direction had been made by minority contractors in every city studied.

Training Efforts Among the Contractors Interviewed

In Houston and Atlanta, few minority contractors have formal training programs for their employees. In Atlanta, nine firms out of 38 interviewed has some sort of training program for their employees. Of these nine, four participated in union apprenticeship programs, two had contracts with the JOBS program under the National Alliance of Businessmen (one in masonry and one in tile), one had a trainee from the government industrial education center, and one had a veterans' OJT program. One of the contractors conducted formal classes in blueprint reading for his employees in his own home. These findings revealed a higher incidence of training than those uncovered by the NAACP survey, which found four of 22 contractors involved in formal training programs, two of which were union apprenticeship.

In Houston, participation in formal training programs was much lower among Mexican Americans. Out of 45 Mexican American contractors, only three had participated in any formal training efforts. Two of these had participated in union apprenticeship with Plumbers Local 68 (one of whom had withdrawn from the program before the interview). The third was applying to train a draftsman under a Model Cities program vocational guidance program. Black contractors in Houston had more experience with formal training programs. Out of 11 contractors interviewed, four had participated in formal training programs (none was union apprenticeship). One program was for 10 air conditioning helpers; another was a Crescent Foundation (i.e., a nonprofit black training organization) manpower program; the fourth was a private drafting course provided by a local vocational education school teacher who is also the president of the Houston Association of General and Sub Contractors. The NAACP survey of black contractors found that nine of 78 contractors in Houston had participated in some type of formal training programs.

In contrast to Houston and Atlanta, where only 16 of 94 contractors (or 17 percent) engaged in formal training programs for their employees, 72 of 186 non-South contractors (or 39 percent) reported that they provide some sort of formal training to their employees. In Chicago, more than half of the employers who train participate in apprenticeship. One black contractor has participated in training efforts of the Illinois State Vocational Education program. Five other black contractors provide semi-structured training of one sort or another to their employees. The most

interesting is that provided by an older union plumber who does small residential jobs. He takes on young men in a tutorial situation, trains them, and then subcontracts jobs to them. He says he has spawned several contractors in this manner. Among Spanish American contractors, one of the associations, Progressive Builders, ran classes for a while, providing general orientation to youngsters interested in construction; but this effort was abandoned reportedly because the teacher found it too burdensome to travel in from the suburbs for every class. The other association of Spanish American contractors, Latin American Contractors Consortium, also ran classes for workers studying for the plumbing license exam; but none of the contractors interviewed mentioned this program.

In the San Francisco area, training took the form of participation in Project UPGRADE or PREP or in various governmental programs run through a Model Cities program or the San Francisco Redevelopment Agency. The latter type of program received mixed reviews. Smaller contractors appeared to be generally pleased with them, whereas larger contractors complained that the salary incentive offered in these programs was too low and that the selection process for trainees was poor.

Very few contractors in the San Francisco area reported participating in apprenticeship programs. Yet, in response to the question, "Where do your men get their training?" most answered "union apprenticeship." This held true even among contractors who had participated in government training programs. Few acknowledged government training as a primary source of training for their workers.

Contractor Attitudes Toward Training

As to the form of the training most desirable, the minority contractors were in general agreement that an apprenticeship-style program of training -- combining classroom work with on-the-job learning -- was the best format for skill acquisition in the construction industry. Many contractors in the non-South who were apprenticeship graduates, made favorable comments regarding their own training.

Contractors expressed a wide variety of attitudes about participating in worker training programs themselves. One interviewee in the San Francisco area was so enthusiastic about his trade, that he had volunteered to teach a course in it at a local community college. On the other hand, a Chicago contractor in discussing his experience with a training project for disadvantaged youth in Lawndale commented: "I learned there that you can't mix sociology and business." When another contractor was asked if he would be interested in participating in some labor training program, he stated, "I would if I could see that I could make money on it."³³

On one hand, it would appear to be unwise to load a marginal contractor, struggling to maintain existence, with the burden of training a disadvantaged work force. On the other hand, many of the minority contractors are under significant pressures from their own communities to hire and train fellow minorities; and they are training anyway, whether or not they receive government assistance.

Noting the concentration of employment among minority enterprise among a few firms, it would seem that the numbers of minority contractors able to adequately sponsor training are few in number. Or put another way, locating training efforts among the few larger minority contractors, the Government would be reaching the vast majority of workers employed by all minority construction enterprise.

³³Confidential communication (1974).

Employment Generation/Union Integration Potential

As illustrated in Chapter 2, the employment generating potential of minority contractors varies significantly by place and trade. Thus the potential of minority firms to influence the ethnic and racial composition of union memberships varies substantially by trade and geographic area as well.

In some areas, minority contractors may have significant impact in increasing minority participation among building trades unions. As testified to in interviews with contractors and union officials, contractors do have some leverage in the matter of getting employees into the union; and some minority contractors have used this leverage. The extent of leverage a contractor has, of course, is determined by several considerations, such as the size of his firm, his own personal background with the union, personality, and current labor market conditions.

Although minority employment in minority-owned firms is substantially above minority employment levels in non-minority firms (See Table A-28), too much optimism relying on minority contractors to integrate the building trades may be unwarranted for several reasons; namely (1) in trades in which the unions have the fewest minority members, minority contractors are generally scarce too; (2) although three-quarters of the existing minority contractors want to expand their businesses, only a fourth of these firms aspire to work in unionized (primarily large commercial and industrial construction) sectors; and (3) the larger a minority construction firm grows, the smaller the proportion of minority workers it tends to employ. In fact, affirmative action officers and contractors in San Francisco and Chicago pointed out several minority-owned firms with lower percentages of minority workers than nonminority firms bidding against them.³⁴

³⁴Personal interview with Chet V. Brookins, labor relations and EEO Officer, Henry C. Beck Company (San Francisco, January 28, 1974) and personal interview with Stanley Lim, employment representative, Human Rights Commission of San Francisco (San Francisco, May 16, 1972).

In summary, although minority firms may assist in increasing minority participation in the building trades, in most places, their effort would not be significant enough in itself to integrate the trades. Efforts still need to be made through other approaches, such as apprenticeship outreach programs.

Conclusion

Demand stimulation efforts in the form of publishing directories of minority firms, redirecting government and private procurement, and supply development efforts including bonding and financial assistance, technical and managerial assistance and labor training, have all been directed at upgrading minority enterprise in construction. Each has encountered difficulties on the practical or operational level.

Even in concept, however, relying exclusively on either demand stimulation or supply development alone will be insufficient to move minority contractors into the mainstream of the construction industry.

What are needed are efforts to cope with both demand and supply problems. Two promising vehicles for accomplishing this -- the joint venture and the minority contractors' association -- are the subject of discussion in the next two chapters.

CHAPTER 5

JOINT VENTURES

Joint venturing is a common business practice in the construction industry. Forty percent of the white contractors interviewed for this study had participated in at least one joint venture -- all with other white-owned firms (see Table A-49). Most joint ventures are undertaken either to enable several companies to perform a project beyond each's individual capacity, but many other reasons may prompt a firm to enter into a joint venture agreement. Even Brown and Root, Inc., one of the largest construction firms in the world, has joint ventured with small rural contractors located near a construction site in order to acquire a contract for obtaining nonunion local labor.¹

In general, contractors enter into joint venture agreements in order to achieve a mutual sharing of talents, capabilities, or contracts which neither has alone. Thus, white contractors are motivated to joint venture with minority firms to gain access to the minority community in order to meet their affirmative action requirements on a job. For example, Turner Construction Company joint ventured with Trans-Bay Builders and Engineers -- a predominantly black firm -- on their Oakland Redevelopment Projects -- to gain access to the East Bay minority construction community.

Overall joint venturing appears to have considerable appeal to minority contractors. More than three out of four contractors interviewed indicated their willingness to joint venture in one form or another at some point in the future. (See Table A-50.)

Black contractors in Chicago, who, as a group, had the most frequent experience with joint venturing, also were the group expressing the greatest willingness to

¹Personal interview with Joe Huacuja, formerly assistant manager of the Building Department, Brown and Root Construction Company (Houston, May 5, 1971).

joint venture in the future. More than nine out of 10 were favorably disposed to joint ventures in the future.

The contractors interviewed expressed a variety of reasons for joint venturing: to pool work, to obtain contracts beyond their firm's financial or working capacity, to gain knowledge and experience, to gain something essential to winning or performing a contract, and to perform projects with a contractor in a complementary trade. As examples of the latter reason, a plumber sought to joint venture with an air conditioning contractor in order to submit a bid for all mechanical contracting work in a particular project, and a carpentry contractor was interested in joint venturing with a plumber and an electrical contractor in order to specialize in remodeling doctors' offices.

Joint ventures, strictly speaking, are temporary alliances which are arranged for the duration of one construction project only or for some specified time period. Under a joint venture, each firm retains its individual identity but operates with the other(s) as a unit to accomplish the job. Joint ventures involving more than two firms are sometimes called "consortiums."

A wide variety of joint ventures forms exists. For example, there are minority-majority or minority-minority joint ventures. Moreover, there is a continuum in the form of possible types of combinations, ranging from temporary schemes for one project only to full-scale limited mergers.

Minority-Majority Joint Ventures

One promising route for upgrading minority contractors is joint venturing with larger white contractors. Such ventures may provide a good technique to "develop a track record" by providing minority firms with experience on larger commercial or industrial projects. Further, Debro contends, "As a method of financing a minority contractor, the joint venture technique is without parallel. It

takes full advantage of the resources available from the majority community, while at the same time it does not require a dilution of minority contractor equity or control."²

Joint venturing with white contractors is popularly cited as a way of upgrading minority firms.³ Also, white contractors and their spokespersons in the non-South who have experience with joint venturing with minorities advocate it as possibly the only way that minority firms will be upgraded.⁴

White contractors are motivated to look for minority firms to fulfill affirmative action requirements. But some are concerned with image more than with providing a meaningful experience for the minority. Likewise, some minority contractors are content to go along with the game, place their signs and/or trailers on the project site, and drop by on paydays to collect their easy pay.

The financial allure of sham joint venturing is difficult for some marginal minority contractors to resist. As one of Chicago's black contractors stated sympathetically of such behavior: "Why not agree to a quick \$10,000 on a sham joint venture when you work hard on other projects and don't make a dime?"⁵

When a minority contractor agrees to participate in such a "sham joint venture," he eliminates a possible opportunity for a fellow minority to engage in a meaningful learning relationship. Recognizing this fact, contractors associated with Operation PUSH in Chicago have

²Joseph Debro, "Financing Minority Contractors," Bankers Magazine, Vol. 154, No. 1 (Winter, 1971), p. 75.

³See Reginald Stuart, Black Contractors Dilemma (Nashville, Tennessee: Race Relations Information Center, 1971), p. 21-22; Daniel Quinn Mills, Industrial Relations and Manpower Construction, (Cambridge, Massachusetts: The MIT Press, 1972).

⁴Personal interview with Frank H. Anderson, project manager, Turner Construction Company (Oakland, January 23, 1974); personal interview with Edward M. Hogan, Jr., assistant secretary, Building Construction Employers Association of Chicago (Chicago, February 28, 1973); personal interview with Chet V. Brookins, labor relations and EEO officer, Henry C. Beck Co., (San Francisco, January 28, 1974); telephone interview with Roy Van Pelz, project manager, F. P. Lathrop Construction (Emeryville, California, January 15, 1974).

⁵Confidential communication (1973).

decided to boycott any "sham" joint venture opportunities so that majority contractors would have to offer meaningful participation. At the time of the interview, however, groups were still debating among themselves over the minimum qualifications of a meaningful joint venture -- by no means a simple matter.⁶

To avoid sham joint ventures, AAT&TC in Atlanta has discouraged its membership from participating in joint ventures for one project only. Instead, AAT&TC fosters joint ventures of a more permanent nature and in 1975, Herbert Williams, AAT&TC executive director, was able to point to two such long term arrangements which have worked successfully for more than a year.⁷

Minority-Nonminority Joint Ventures

Many minority contractors interviewed expressed general reluctance to enter minority nonminority ventures unless they provide earning as well as learning possibilities. As one black contractor in Atlanta stated:

I have had many offers from white contractors to joint venture, but none have favorable terms to me. Some just want me to do the work while they take a slice of the contract. Others are just using me to fulfill their racial quotas for employment. Instead of integrating their own work forces, they want to hire me and my work force.⁸

⁶ Personal interview with William M. Smith, Jr., city planner, Andrew Heard and Associates, Ltd. and organizer for Operation PUSH (March 12, 1974).

⁷ Telephone interview with Herbert Williams, executive director, Atlanta Associated Contractors and Trades Council, Inc. (Atlanta, April 16, 1975).

⁸ Confidential communication (1971).

A cautious approach to joint venturing is not unreasonable. John Brown, president of the black contractors' association in Los Angeles, recalls some of the disappointments which his members have experienced in joint venturing with white contractors.⁹ He cites the example of a black general contractor who, seeking to establish a track record for bonding on future projects, formed a corporation to joint venture with a white contractor on a large public housing project. The job went smoothly, and upon its completion, the corporation was dissolved as planned. Everything about the venture looked successful until the black contractor applied for bonding on his next project and found that the bonding credit had gone to the joint corporation; when it was dissolved, the track record for bonding also vanished. Another common pitfall in joint venturing is that the minority contractor participates only partially in the project. Brown notes that in several joint ventures, the white contractor put up the bonding and financing for the project and handled the bidding and office work while the black contractor became the field superintendent on the job (sometimes even drawing a regular salary). In such cases, bonding companies consider the limited participation of the black as insufficient experience for future bonding credit. The reason that he may have shown great abilities as a field superintendent but did not necessarily demonstrate his qualification to tackle an entire contract of equal size as the sole contractor.

However, some joint ventures with white contractors have been rewarding. A black contractor in San Francisco interviewed for this study had been able to push his bonding capacity to \$300,000 largely as a result of the track record he had established in two joint ventures on million dollar projects. Paul King of United Builders in Chicago relates that one of his firms, Amalgamated Painting Contractors, gathered many educational benefits in a joint venture with Hoffman Decorating and Painting Company, a white firm on a \$200,000 high-rise project in the ghetto.¹⁰

⁹ Personal interview, John Brown, president, Los Angeles Association of General, Sub, and Specialty Contractors (Los Angeles, December 30, 1970).

¹⁰ Personal interview with Paul King, executive director, United Builders Association of Chicago (New Orleans, September 25, 1971).

Among contractors interviewed, joint venture experience received varied evaluations. One out of four contractors interviewed for this study indicated that he had joint ventured. Exactly half of these (or one out of eight) had joint ventured with a white firm. (See Table A-49.) For every two contractors who spoke positively about their venture(s), one contractor expressed negative or mixed feelings about the experience.

Apparently, under the proper conditions joint venturing with white firms can be advantageous to minority contractors. Joint venturing with white contractors can be a very useful technique for upgrading minority contractors if certain precautions are heeded, namely:¹¹

(1) One party is designated as the managing partner. Early experiences of Spanish American contractors in Mission contractors association bore out the necessity for having only one in control. This is especially true in the field. One Chicago contractor reported that in his experience, it was relatively easy for upper level management to get together; but many difficulties developed among supervisors and crews in the field.

(2) The contractors must mutually participate fully in all phases of the project. This usually means that the minority puts up bonding and provides financing and office and field managerial assistance to his capacities. In doing this, the minority contractor not only gains valuable experiences with all phases of the work but also strengthens his track record for future bonding and financing.

¹¹This discussion was benefitted greatly by comments made by John Brown, former director of the Los Angeles Association of General, Sub, and Specialty Contractors, in a personal interview (December 30, 1970).

Joint ventures are also common among architectural and engineering firms working construction. For a practical guide for avoiding pitfalls in ventures between these types of firms, see David R. Dibner, Joint Ventures for Architects and Engineers (New York: McGraw-Hill, Inc., 1972).

It is best if both contractors can contribute equally to the project, but in cases where there is unequal contribution, the proceeds should be divided proportionately to the contributions.

(3) The arrangement should benefit both contractors. As Paul King of the United Builders of Chicago advises: "Joint venturing should be both a learning and an earning experience for the minority contractor."¹² Benevolent participation on the part of the white contractor in joint venturing does not work either. Concretely, this means that if a white contractor contributes 85 percent to a project, s/he should gain 85 percent of the project returns.

(4) In general, separate corporations should not be established for joint venturing. This caveat is especially important if the minority contractor expects to receive credit for the project for bonding or some other purpose.¹³ In most places, a limited partnership arrangement may be best since it enables the larger partner to limit his risk while permitting the smaller contractor to gain bonding and financial credit for the experience. Each contractor remains separate and individually intact in this arrangement. However, laws on limited partnership differ from place to place; so in some states, the limited partnerships may not be an advisable form to utilize.

(5) Joint ventures should be undertaken only under written contract and with the counsel of a qualified lawyer. A minority contractor should never enter such an arrangement legally blind; his attorney should draw up the contract or at least check it over. (If he does not have an attorney at this stage, he should retain one.) All terms of the agreement should be carefully designed and clearly stated prior to undertaking any work.

Ray Dones, a principal of Trans-Bay Engineers, Inc., a firm with considerable joint venture experience, has detailed some of the provisions which ought to be included

¹²Personal interview with Paul King, executive director, United Builders Association of Chicago (New Orleans, September 25, 1971).

¹³Of course, if gaining experience is not a factor and if the motivation is only to pool work or some other consideration, it might be fine to incorporate -- but in any case, this should only be done with proper legal advice.

in a joint venture agreement. They are so important as to bear repeating here:

(1) a provision naming the actual contracting organizations (whether or not the construction contract is performed under a separately named entity) to avoid any under-the-table arrangements;

(2) arrangements for establishing a separate fund in a special earmarked bank account, under dual control, finance the venture, together with the amounts to be contributed by each party;

(3) a provision requiring all progress payments to be deposited in this account, including a formal directive to the paying agency to ensure this provision is carried out;

(4) a clause indicating what proportion each party will contribute in case additional working capital is required;

(5) a clause covering contribution and use of equipment on the project, including mention of rental rates, provision for maintenance, and responsibility for downtime;

(6) explicit delineation of distribution of profits and losses;

(7) provision outlining all duties of the parties, including the managerial duties of the managing partner as well as procedures to be followed in dealing with unusual situations or problems that may develop;

(8) a clause providing that all parties to the joint venture sign all necessary documents relating to the contract, bank loans, bonds, condemnation agreements, and the like;

(9) a provision concerning the taking on of additional work or the purchasing of new equipment during the life of the joint venture by any of the parties;

(10) arrangements for a separate set of books for the joint venture, to be audited by an outside Certified Public Accountant, preferably one not normally employed by any of the parties;

(11) arrangements in case of death or insolvency of any of the principal parties;

(12) a provision covering disposal of equipment and material which are the property of the joint venture.¹⁴

Dones argues that joint ventures should be set up with extreme care because

Each co-venture in a joint venture is legally liable for the performance of the entire contract and the payment of all labor, material, equipment and other obligations. In other words, if all but one of the joint ventures fail financially, the remaining joint venturer is responsible for completing the contract.¹⁵

Joint venturing between majority and minority parties seems to take place primarily outside the South. Our survey, conducted in 1971, did not find a single joint venture between a minority contractor and a white contractor in Houston or Atlanta,¹⁶ whereas almost one in five minority contractors in Chicago and in the San Francisco area had such experience. Since 1971, there have been a handful of joint ventures in the southern cities but nowhere near the incidence found in the North.

However, mere incidence of minority-white joint ventures cannot be taken absolutely as a measure of progress. Some joint ventures are merely sham arrangements, wherein the minority party gets paid for letting his or her name be used while the white partner maintains complete control over the project. Also, some qualified minority contractors who have won bids have been requested to obtain white joint venture partners by apprehensive general contractors --

¹⁴For a fuller explanation of these provisions, see Ray Dones, "Joint Ventures," Minority Builder, Vol. 3, No. 3 (May-June, 1973), p. 21.

¹⁵Ibid.

¹⁶This does not include two partnerships between white and minority principals found among the firms interviewed.

not because they objectively need one but merely to calm the general contractor's fears about working with a minority firm. Such experiences have prompted Jesse Jackson of Operation PUSH to label joint ventures "the new jazz."¹⁷

Nevertheless, some joint ventures with white contractors have been beneficial to minority contractors and some have carried ancillary benefits. A black painting contractor in San Francisco established a close personal relationship with one of the large white painting contractors in town. As a result, whenever the black contractor gets into difficulties over an unjust decision by an inspector or job superintendent, the white contractor comes in to vouch for him.¹⁸

Joint venturing is not the only means of enlisting support of white construction firms in the effort to upgrade minority contractors, but it is a primary way which offers much potential.

Third-Tier Contracting

One procedure which has been used as an alternative to joint venturing has been the process of awarding third-tier contracts. That is, a part of a contractor's work is broken off and contracted to a "sub-subcontractor."

Persons interviewed had some limited experience with this procedure and some conclusions can be drawn from their comments. Third-tier contracting offers the theoretical advantage of preserving the autonomy of the individual minority firm while at the same time offering it some limited exposure to larger work. Although success is possible

¹⁷Jesse Jackson in a speech before the regional convention of the National Association of Minority Contractors, Chicago, June 22, 1973.

¹⁸Confidential communication (1974).

with third-tier arrangements, the procedure seems to operate well only when the work to be allocated on the third tier is fairly discrete, such as painting stairwells. However, even then the arrangement may have some pitfalls. For example, when one minority contractor in San Francisco lost money on his third tier contract, allegedly due to unfamiliarity with larger work, he charged the white general and white subcontractor with conspiring to split off the least desirable, least profitable work while they kept the lucrative portions for themselves.

Joint Ventures Between Minority Firms

A minority contractor may also joint venture or merge with a fellow minority contractor to their mutual advantage. All of the minority contractors in Houston and Atlanta who had joint ventured had done so with other minority firms. Wheatstreet Gardens, a \$2-million housing project which was the first built in Atlanta under HUD's rent supplement program, was constructed by a team of three black contractors. One of the three, A. V. Jett, has since pooled his resources with two other black contractors to form Bankhead West, Inc., in order to solicit additional large contracts. Reluctant to give up their own successful individual businesses but anxious to pursue the possibilities of Bankhead West, the contractors are entering the corporation as a second business. Each will retain his own firm with smaller projects until Bankhead West requires his full attention. In this way, they are able to test the market for large projects with a minimum of risk to themselves. Shortly after forming, Bankhead West was able to obtain three Model Cities housing projects involving an estimated \$5,235,000 of work and although they were experiencing some marketing and bonding difficulties, the firm was still in existence in 1975.¹⁹

Numerous other, perhaps less dramatic, cases of mergers of joint ventures between minority contractors were

¹⁹ Telephone interview with Herbert Williams, executive director, AAT&TC (Atlanta, April 16, 1975).

uncovered in the survey. In total, 41 firms out of 288 (or 14 percent) had undertaken some type of joint venture with a fellow minority contractor. Most of the participants were pleased with their experience and willing to repeat it.

Not all joint ventures between minority firms have worked out well, however. For example, several of the Afro-American Builders groups established with the assistance and encouragement of the NAACP have since fallen apart. On August 15, 1973, Robert Easley reported that groups of Afro-American Builders formed to joint venture in Buffalo, Hartford, and Birmingham had broken up or were in the process of breaking up.¹⁹ Rather than proving joint ventures to be a failure, the demise of the Afro-American Builders groups may just illustrate the fallacy of undertaking joint ventures with too many partners. One Chicago contractor well experienced in joint ventures emphasized that two is the optimum number for a joint venture. "Any more than that just multiplies the problems involved," he explained.²⁰

¹⁹Telephone interview with Robert Easley, NAACP National Office. (New York, August 15, 1973).

²⁰Confidential communication (1974).

CHAPTER 6

MINORITY CONTRACTOR ASSOCIATIONS

A significant development in the field of minority enterprise during the past decade has been the emergence of local minority contractors associations across the nation. A survey made in September 1973 by the Center for the Study of Human Resources at the University of Texas identified 118 associations of minority contractors in various stages of formation located in 103 cities across 34 states.¹ All but a handful of these associations have been initiated since 1965.

Trade associations are neither novel or unusual in the construction industry. Construction probably has more trade association groupings than any other industry in the nation.² Further, groups such as the Associated General Contractors and the National Association of Homebuilders have been around a long time and are well known to the public. What is new is that minority firms are beginning to awaken to the benefits of forming trade associations.

The formation of trade associations among contractors -- minority or nonminority -- stems from a recognition that construction is a unique industry with unique characteristics and problems, including severe market instability compounded by problems of weather seasonality in production, one-of-a-kind production on ever-changing worksites, strong craft unions, and high vulnerability to changes in government policy. Facing such an environment, businessmen naturally associate to confront their mutual situation on an organized basis.

¹The results of the survey are available in mimeographed form from the Center for the Study of Human Resources, University of Texas at Austin. All information compiled was forwarded to the National Business Campaign, Minneapolis, Minnesota, who now include a listing of minority contractor associations in their annually published directory of minority business enterprise, Try Us.

²More than 70 nationwide associations of construction contractors are listed in 1973 National Trade and Professional Associations and Labor Unions of the United States ed. by Craig Colgate, Jr., (Washington, D.C.: Columbia Books, Inc., 1973). Further, this listing is only a partial one since it omits all independent local and regional associations.

Long excluded from membership in traditional construction trade associations, either by inability to pay the high dues required, or occasionally by outright discrimination, minority firms have recently begun to form their own organizations.

In 1964, there were only two minority construction associations -- the Associated Electricians of Detroit and the Amalgamated Plumbers Association of Philadelphia -- both of which were organized along craft lines. During the next three years, organizations open to contractors of all construction trades were formed in Oakland, Los Angeles, New York, Cleveland, Boston, and a few other cities. Encouraged by the example of these early associations, stimulated by direct organizing efforts of government agencies such as the Small Business Administration's Action Construction Team (ACT), of civil rights groups such as local chapters of the Urban League, or the NAACP, LULAC, or of the National Association of Minority Contractors or other local associations, and lured by the possibility of obtaining funding from governmental or foundation sources, more than 100 organizations of minority contractors were formed from 1967 to 1973. Many of these associations remain in early formative stages and many are fragile organizations operating on shoe-string budgets and largely dependent on the efforts of one individual. However, the fact that minority contractors have been so responsive to organizations is a clear indication of their intentions and hopes to grow and develop their businesses.

Some of the associations sprang from worker-oriented civil rights organizations. Eventually, such organizations generally have split with the original group over worker-management issues or ideological controversies. Thus the Central Contractors Association of Seattle, Washington, the Contractors Association of Boston, and the Latin American Construction Contractors of Chicago have all split from worker groups and become independent.

Most of the associations have been organized around immediate needs of the contractors. The most common focus of organization has been job procurement; and thus organization of local associations has been strongest and most successful in periods of recession in local construction markets (especially residential work). Although lack of jobs has been the predominant need of contractors, other issues have also played roles in motivating contractors to band together. For example, in Miami, Florida, Cuban contractors organized the Latin Builders Association primarily to confront the Miami licensing establishment to provide examinations in Spanish. Similarly, in Lubbock, Texas, a group of Mexican American contractors organized to establish a cooperative supply company for building materials.

Characteristics

Like their nonminority counterparts, minority contractors associations are trade associations; but they generally place greater emphasis on education of their membership than the typical trade association. Such emphasis on education stems from the key objectives of minority associations: to develop new minority contractors and help them get into business with good footing and to assist existing minority firms to grow and perform jobs at a profit.

There exists a wide variety of forms of minority contractor associations. A few, such as the Afro-American Builders of Virginia or the Conglomerates Construction Company, Inc., in Bridgeport, Connecticut, are for-profit joint ventures of several black contractors who pool their resources to do larger jobs. Others are predominantly social groupings of general and specialty contractors who meet occasionally in one another's homes to share information and camaraderie on an informal basis. Most of the associations, however, are formally organized as nonprofit corporations with job procurement and technical assistance programs. Although most associations operate without benefit of regular paid staff personnel, some local groups with outside funding have staffs as large as 26 people.

Membership in these associations is generally open to contractors of any ethnic or racial background; in fact, some even have a few white members. However, in practice, one racial or ethnic group seems to predominate in each group and in cities where minority contractors of different ethnic or racial backgrounds exist in sufficient numbers, they are organized in separate associations. Thus, for example, in San Francisco, there is a black association, a latin association and an Asian American association. Similarly, black and Spanish-surnamed contractors are organized in separate associations in Denver, Chicago, Houston, Dallas, Los Angeles, and Miami. In several of these cities, such as Houston and Miami, there seems to be little or no contact between the groups; however, in Los Angeles, the two groups have had a good working relationship. Only in San Antonio (where Mexican Americans and blacks are in the same association) and in New York City (where Puerto Ricans and blacks are members of the same association) do separate ethnic or racial groups appear to be organized together in substantial numbers.

Funding

Most of the associations are supported, at least in part, by membership dues and fees charged for providing such services as estimating or bond packaging. However, because the member firms are typically small and under-capitalized themselves, monies from these sources are insufficient to support staff salaries and other expenses essential to maintain programs of job procurement and technical assistance. Two exceptions to this statement are the Brotherhood of Minority Contractors in New York City and the Central Contractors Association of Seattle, Washington, whose spokespersons report that their programs are operated entirely by membership support. Some groups survive on the contributions of staff time and office space volunteered by their more established member-contractor firms. Others, such as General and Specialty Contractors Association of Oakland and the Polk County Minority Contractors Association of Lake Wales, Florida, obtain free office space in housing management offices for housing projects which their membership helped to sponsor through third party organizations.

Most funding for local associations, however, has come in grants from government and foundation sources, including the Ford Foundation, the Office of Minority Business Enterprise, the Economic Development Administration, the Department of Labor and local Model Cities Programs. In addition, five national insurance companies have loaned \$5 million through the Minority Contractors Assistance Project (MCAP) in Washington, D.C. to local associations for established revolving loan funds for minority contractors. Although no one knows precisely how much outside funding has been provided to local minority contractor associations, a good educated guess would be 14 to 18 million dollars. Probably the largest source of funding has been grants from local Model Cities programs, a fact which may portend future pending difficulties for minority contractor associations because the Model Cities Program is currently being phased out. Most of the funding to minority contractor associations has been to provide minority firms with specific services such as loan or bonding packaging, a revolving loan fund, technical assistance, or labor training.

Functions

Local minority contractors associations have operated with a variety of approaches to assist their individual members. The following list of activities is compiled from information gathered during the survey of existing associations:

(1) bringing minority firms into contact with the mainstream construction industry, by generally making the contractors more visible;

(2) assisting minority firms locate and secure jobs, by

(a) serving as a clearinghouse to gather information on upcoming jobs from such informal sources as personal contacts as well as formal sources such as the Dodge Reports;

(b) serving an outreach function for white general contractors who want to work with qualified minority contractors;

(c) getting their names placed on select bidders lists of private and public agencies;

(d) negotiating to ensure that at least portions of the work on larger government projects go to minority firms -- either as prime general or subcontractors, third tier subcontractors, or joint venture partners;

(e) helping contractors to prequalify for the 8(a) program of the Small Business Administration;

(3) educating and offering managerial and technical assistance to minority firms to enable them to better operate their businesses, by:

(a) helping them improve their accounting systems;

(b) providing assistance with bidding and estimation;

- (c) loan packaging and teaching contractors the procedures involved in obtaining loans;
 - (d) surety bond packaging and teaching contractors bonding procedures involved;
 - (e) encouraging journeymen to become qualified to start their own firms and to help them become properly established in the beginning with such matters as licensing and tax registration;
 - (f) assisting minority contractors to negotiate joint ventures;
- (4) helping to focus community resources on their membership, by:
- (a) prodding government agencies to better implement programs authorized by Congress;
 - (b) administering labor training programs for member contractors and providing the institutional component of the programs;
 - (c) administering revolving loan funds;
 - (d) bringing contractors into touch with community experts from local universities, contractors associations, professional associations (such as CPA's) to advise and tutor individual contractors and to speak at association meetings;
- (5) acting as spokespersons and representatives of busy contractors who are beset by special problems on the job; for example:
- (a) acting as "ombudsman" to help contractors involved in dealing with governmental assistance programs and in performing government work (especially for the first time);
 - (b) negotiating with union representatives over tough labor-management issues on the job;

- (c) negotiating with general contractors or owners to stop harrassment of an individual racist superintendent or fellow subcontractor on the job;
- (6) providing various useful services to contractors, such as:
- (a) making available an office center with secretarial and bookkeeping services;
 - (b) helping member contractors to compete with larger contractors by arranging to buy materials in bulk or equipment at discount;
 - (c) providing information to contractors on matters of concern to their businesses, such as new technological or legal developments, for example, the Williams-Steiger Occupational Health and Safety Act of 1970; and
 - (d) buying commonly used specialized construction equipment and renting it at below-market rates.

Examining this list of functions, one might legitimately ask: Couldn't many of these tasks be performed as well by a general minority business development center rather than specialized minority contractor associations? It is certainly theoretically possible that general business development centers could handle some of the functions. However, because such centers lack staff with construction expertise, they are unlikely to perform effectively. Construction is such a unique industry which requires a specialized approach. Further, there is huge potential for developing minority enterprise in construction sufficient to warrant a specialized approach. Contract construction is the largest industry in the United States, and one out of every 10 existing minority firms are construction contractors.

Of all the functions in which minority contractor associations have engaged, procuring jobs is the task which has been accomplished most effectively.

Helping the contractor to successfully perform these jobs with managerial and technical assistance is more difficult. In part, this difficulty arises because of the inability of many minority associations to attract and hold technically competent staff due to uncertainty about future continuity of funding.

Views of Membership

Minority contractors interviewed generally seemed pleased with the performance of their associations. In fact, contractors seemed to view the government-supported associations more favorably than any other government program to upgrade minority enterprise.

However, the associations did not have the universal approval of the contractors interviewed.

From the tone and content of the comments made in the interviews, it is readily apparent that there is a large measure of skepticism among some contractors toward any assistance effort aimed at them. In part, this skepticism has arisen from the experience of broken promises in the past.

Noticeable also is the emphasis on internal politics within the associations, especially among those who feel they are not getting sufficient assistance. Although the functions of the organizations may be strictly technical, decisions regarding allocation of effort may be highly political. Such a situation has been common in other government assistance efforts to businesses (e.g., the agricultural extension service) and indeed, is difficult to avoid. In order to generate a successful record worthy of refunding, an association will naturally tend to focus efforts on firms they judge have the most potential for success. Such an allocation is likely to upset weaker contractors who think they have just as much potential as the recipients of the assistance.

In practice allocation decisions seem to be made roughly according to ability and to the degree of participation and support individual members provide the association. There are surprisingly few squabbles over particular contracts and assistance efforts when they are offered. Concern among the contractors seems to arise ex post facto when the members notice that the firm

of an association official or someone close to the executive director has enjoyed more than its proportionate share of assistance.

It would be difficult -- if not impossible -- to establish hard and fast rules and procedures regarding allocation of assistance. In the absence of such rules and procedures, some abuses due to outright favoritism are bound to occur. In view of this, it would perhaps be useful for sponsoring agencies to establish some sort of appeals procedure for contractors who feel they have been abused.

Conclusion

Although minority contractor associations possess vast potential for advancing minority enterprise in construction, they are not without problems and shortcomings. Like any human institution, individual associations are subject to human problems such as weak or dominating or ill-motivated leadership, political infighting among members of the organization (often over charges of "favoritism" in the allocation of jobs or assistance), personality conflicts, fragmentation of contractor groups, and lack of foresight in neglecting long-range planning.

Over the longer range, the planning problem is connected with the funding problem of minority contractor associations. As one official from a minority contractor association in Texas says:

You want me to make long-range plans?
You assure me of funding for five years --
then I'll show you my five year plan.³

Regarding the funding issue, some contend that it is unrealistic to expect undercapitalized minority contractors to finance their own organizations. They argue for

³Confidential communication (1974).

permanent or very long-run (10 years or more) subsidies from outside sources. Perhaps such funding is needed; but the issue ought to be squarely faced by both contractors and funding agents. While minority contractor associations have tenaciously existed through lean years as well as funded periods, their membership services have been discontinuous and their ability to attract and hold technically competent staff hindered.

The importance of having access to technically competent staff resources should not be underrated. Long-run technical and managerial proficiency -- whether it comes from white or black experts, whether they be on the association staff, available as individual volunteers, on loan from established construction firms, or accessible through joint venture arrangements -- seems to be a key element in building minority success stories in construction.

Some of the problems associations face are structural. For example, associations can be of immense help to the small, beginning contractor because they are presently geared to helping the little guy. But what can associations do for larger, established minority contractors to maintain the much needed support of these "bigger brothers?" Second, how can associations maintain funding adequate to support needed programs from dues and fees collected from their membership when the number one problem facing members is lack of capital? Third, how can associations, which respond to every minority contractor seeking assistance, focus their resources and efforts to help build firms which have the potential for breaking into the large commercial work in the mainstream construction industry? That is, how can they focus their resources on promising firms without suffering charges of favoritism? A fourth structural problem arises from a possible conflict between the two objectives of the associations: developing new contractors and assisting existing firms. Specifically, how can an association avoid assisting journeymen to become contractors in trades that are already overpopulated with minority firms? For if this happens, the association will have worsened the position of minority firms by merely intensifying competition in marginal construction work.

Many of the aforementioned problems are growing pains -- the sort of problems that any organization faces in pioneering a new effort. But they are problems which must be confronted squarely if minority contractors associations are to achieve their full potential in building minority enterprise in construction. Local minority contractors associations must learn and grow from the successes and failures of fellow groups around the country. It is a constant and difficult task, but the possible rewards for minority builders -- both contractors and workers -- are great.

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CHAPTER 7

CONCLUSIONS AND RECOMMENDATIONS

It is clear that not all minority contractors have the ability and desire to be upgraded. However, some have significant potential for advancement which could be realized with the proper assistance.

This paper has reviewed a wide range of efforts designed to assist the advancement of minority contractors. Generally, such efforts can be classified according to three distinct types: (1) demand stimulation, (2) supply development, and (3) some combination of demand stimulation and supply development, such as the joint venture and the minority contractor association.

The first approach examined was demand stimulation through identifying minority firms in published listings. This approach seems to be reasonable in view of the fact that minority contractors are out of the mainstream and do not have high visibility. However, identifying firms should be recognized as only a limited first step toward upgrading. Published listings have many inherent limitations and do not assure that minority firms obtain more work (nor even that they are considered for more work). They are a first step and may be helpful, if utilized.

The second approach to demand stimulation considered was directing procurement of Government and Government contractors at minority firms. Although the Federal Government has no general mandate to promote minority enterprise as Executive Order 11246 provides for minority employment, a variety of affirmative action and set-aside programs have been undertaken by various agencies. Such efforts may help to explain why the business volumes of larger minority firms (with 10 or more employees) interviewed in Chicago and San Francisco grew substantially from 1969 to 1972.

Unfortunately, however, this group includes few minority firms. Others, constrained by bonding, financial, and performance capacity problems, did not enjoy such a record.

Supply development efforts -- delivering bonding and financial assistance, managerial and technical help, and labor training -- have all been attempting to increase minority contractor capabilities. Results obtained have been mixed.

The thrust for developing minority firms in construction has come primarily from the federal government, at the prodding of minority contractors themselves. Private efforts of surety companies and banks, such as those operated by Morgan Guaranty Trust Company, while helpful to a few contractors, have represented only a drop in the bucket toward fulfilling the universe of need.

Certainly government assistance to minority enterprise should not offer any ideological or philosophical barrier to consistent thinkers who have agreed with government policies toward business promotion over the past 200 years. Few businesses in this nation have grown to be the giants they are without some special direct or indirect government subsidy. Government assistance has taken various forms: land grants (to railroads), subsidies and technical assistance through extension activities (to farmers), government contracts, direct loans (e.g., Lockheed), tax concessions (to oil and others), protective tariffs (to several) or special legal status (e.g., regarding access to minerals in coal industry). In all the aforementioned cases, the purpose pursued was the good of society. In many, the specific objective has been to maintain employment in a major industry. One can offer similar arguments in favor of promoting minority enterprise in construction.

The problem of upgrading minority contractors has both demand and supply aspects and both must be encompassed in a remedy. Two vehicles which offer promise in ideally combining both demand stimulation and supply development into one remedy are the joint venture and the minority contractor association. However, the experience to date with the joint venture and the minority contractor association show that fashioning a remedy is more complex than it appears conceptually. What works in theory has shortcomings and pitfalls in practice. Minority contractor associations face problems of internal politics, personality conflicts, fragmentation of contractor groups, and lack of

foresight in neglecting long-range planning. Joint ventures between black and white contractors -- totally absent in Houston and Atlanta in 1971 -- abound in the non-South cities of San Francisco and Chicago. Yet many joint ventures amount to nothing in terms of advancement for the minority contractor. They are for show only -- lacking any transfer of performance capability or training.

At least part of the problem is due to the fact that the minority contractor association and the joint venture have not been properly modeled yet. Minority contractor associations seem to develop, thrive, and wither on the matter of availability of funding. Joint ventures often take form through negotiation between parties primarily over the basis of how much the nonminority party is willing to concede and how much the minority party is content to accept. Only occasionally considered is the issue of designing the relationship to maximize training and capacity-increasing aspects for the minority contractor.

Characteristics of effective minority contractor associations and meaningful joint venture arrangements are outlined in the body of this study. Further research along this theme would be a productive venture.

One general recommendation that arises from observations in this study is a call for better monitoring and proposal evaluation procedures for minority contractor associations by funding agencies.

Also, data gathered in monitoring needs to be improved. As a specific example, the CEP program in Oakland, which monitored Project UPGRADE, collected only figures on total number of construction placements made -- without respect to trade. It would seem that since minority participation varies considerably by construction trade, that records should be kept by trade. For instance, a placement as an electrician or sheet metal worker -- where few minorities are -- would be more desirable than placement as a plasterer or dry wall mechanic.

The minority contractors' association can help upgrade its members in several ways. It can help generate access to job opportunities for minority contractors as well as assisting them to take advantage of the opportunities, thereby dealing with both the demand and supply aspects of the problem. As the experiences of minority contractors' associations in Oakland, Los Angeles, and other places have demonstrated, the association approach is especially useful in dealing with the financial and

bonding problems of contractors. Further assistance has been provided with the programs for bonding guarantees and interim financing recently initiated by the Small Business Administration.

Associations of minority contractors are keenly aware of a need for labor training. As revealed in the interviews, few minority firms currently operate formal labor training programs. However, several contractors expressed a willingness to participate in a Government-sponsored labor training effort, "given the proper sort of program." According to the contractors interviewed, if the Federal Government were to offer a training program to minority contractors, it is most desirable that the training program be operated through a minority contractors' association. The association approach offers advantages over the individual firm effort approach for several reasons. First, the association could probably better handle the administrative details. Second, the association would be in a better position to provide supportive services and an institutional training component for the trainees. Third, if the training contract were solely with an individual firm the trainee would be required to work for that firm only. Such an arrangement would cause difficulties since most minority-owned firms are small and have unsteady work. If the contract were arranged with a consortium of firms, the trainee could work for several enterprises, thus assuring him of more steady work and better exposure to a greater variety of work experience.

By itself, upgrading minority contractors does not offer a "shortcut solution" to achieving integration in the building trade unions. However, it is one of several routes which can be profitably pursued to accomplish this aim. If minority firms could be upgraded to a level where they became a significant bloc of the industry, white institutions such as unions and contractors' associations could not afford to ignore them. The difficulty with this reasoning is that, at least for the immediate future, potential for achieving integration of the trades in this manner is quite limited, because: (1) in trades in which the unions have fewest minority members, minority contractors are generally scarce too; (2) minority contractors currently employ under 10 percent of the minority work force in construction; (3) although three-quarters of the minority contractors want to expand their businesses, only a fourth of these firms aspire to work in the unionized (large commercial and industrial construction) sectors in Houston and Atlanta; and (4) the larger a minority construction firm grows, the smaller the proportion of minority workers it tends to employ.

It should be added, however, that according to the available evidence, minority enterprise in construction seems to have relatively greater employment generating potential when compared with other industry.¹ Further, the strength of minority firms varies substantially by place and trade.

A few firms presently operate under union contract, and, if upgraded, many others would not be averse to signing a union contract. However, the result would not be significant enough in itself to integrate the trades. Efforts still need to be made through other approaches, such as apprenticeship outreach programs.

In fact, the importance of promoting black participation in apprenticeship programs is underscored by the results of this study. In the South, black colleges such as Tuskegee Institute have been a primary source of training for past and present black contractors, especially in the mechanical trades. However, recent revisions in curriculum have eliminated the programs which produced these entrepreneurs. If blacks are to be represented among mechanical trade contractors in the future, the apprenticeship training programs which have provided training to significant proportions of Anglo contractors must also be available to minorities -- especially in the South.

Since the upgrading potential of many minority construction firms hinges on the ability to employ capable middle managers and field superintendents, the need for minorities qualified through training is even more immediate and pronounced.

¹Timothy Bates, "Employment Potential of Inner City Black Enterprise," The Review of Black Political Economy, Vol. 4, No. 4 (Summer, 1974), p. 65.

Another important potential source of training which needs to be stressed is the courses and programs currently offered in 83 colleges and universities across the nation.² To provide a pool of qualified minority superintendents and middle managers, as well as a potential pool of future minority contractors, greater emphasis should be placed on affirmative action in the construction programs of institutions of higher education across the nation.

In addition to Federal agencies and minority contractors' associations, other parties can assist in upgrading the minority contractor, including white contractors, white consumers, local government agencies, labor unions, and the surety and finance industries.

Individual white contractors could assist minority contractors by engaging in meaningful joint venture relationships with minority contractors, seeking to utilize more minority subcontractors, and offering minority contractors technical assistance. An additional effort would be to provide consulting services to minority contractors for dealing with problems in such areas as bidding and estimating, or accounting or to provide minority contractors with introductions to bonding agents and banking officials.

White consumers can play a role in helping the minority contractors to break into white building markets. In relying on minority community institutions alone, black and Mexican American contractors face the danger of having their businesses confined to a minority market. White institutional consumers, such as churches and universities, could lead the way in helping minorities to break into white markets for larger construction jobs. For example, Project Equality, an interdenominational church effort aimed at equal employment opportunity, could expand its focus by ensuring that not only minority workers but also minority contractors and subcontractors participate in

²A listing of schools of higher education offering construction curricula is provided in Construction Education Directory (Washington, D.C.: The Associated General Contractors of America Education and Research Foundation, second edition, 1974).

church construction and the numerous construction projects which are built under the sponsorship of its member churches.³ Likewise, white universities might become responsive to the issue.⁴ Individual white consumers can help provide minority contractors with work by negotiating construction contracts directly with minority contractors or subcontractors instead of letting the contracts for open bidding, by requiring or encouraging prime contractors to utilize minority subcontractors, or simply by ensuring that minorities are invited to bid and that their bids are seriously considered.

Local governments can also play a role in facilitating the advancement of the minority contractor. As noted earlier, minority contractors interviewed expressed a greater interest in state and local government construction than any other type of government work. However, information on state and local government construction opportunities is not readily accessible to contractors. A recent survey made by Sam Sperling of the City of Los Angeles Office of Contract Compliance found a total of 230 separate government agencies issuing contracts to bid in the Los Angeles area alone -- each with its own procedure for publishing such information.⁵ Faced with a bewildering variety of notification procedures, a minority contractor might understandably soon give up any ideas he may entertain about performing government construction work. In view of this situation, a local government agency might compile a list of notification procedures used by various

³A description of Project Equality can be found in the article: Michael Stone, "Project Equality Today: A Case Study of the Church in the Social Order," The Christian Century (January 21, 1970), pp. 79-82.

⁴For detailed recommendations on the issue of participation of minorities in university construction, see Howard E. Mitchell, Marion B. Fox, and James S. Roberts, "A Report to President Gaylord P. Harnwell on the University of Pennsylvania Employment Policy in the Construction Trades" (Philadelphia, Pennsylvania: Minority Employment Project, University of Pennsylvania, 1969). On page 62, it is recommended that nonwhite subcontractors and contractors be awarded contracts on University of Pennsylvania building sites.

⁵Personal interview with Sam Sperling, Office of Contract Compliance, City of Los Angeles (December 24, 1970).

government agencies within the locality.⁶ Such a project not only would benefit interested minority contractors, but also could have the favorable effect of reducing construction costs to government agencies involved by increasing competition.

Further, state and local governments can follow the lead of the Federal Government in directing more of their procurement to minority firms. Many local governments are already doing this. The Urban Development Corporation of New York State has a program which combines the aspects of demand stimulation and supply development into one program. The state of Illinois has passed an Illinois Small Business Purchasing Act which in effect established the office of "ombudsman" to assist small businesses to increase their participation in state contracts.⁸ Greater efforts need to be made to assure affirmative action in utilizing minority contractors on state and local work, particularly as the use of revenue sharing increases.

From the point of view of public officials, encouraging minority contractors to bid may bring some definite benefits. By injecting a fresh element of competition into government procurement, namely upgraded minority enterprise, often long-standing "sweetheart" alliances between agency and supplier are unsettled with beneficial results to taxpayers. Procurement officials in Los Angeles and Illinois interviewed for the study pointed to examples of sharp reduction in price on new contracts with minority contractors in the ring. While some of these low prices are admittedly due to either submission of an impossibly low bid by the minority, or below competitive pricing by existing nonminority suppliers

⁶ Sperling compiled such information for Los Angeles.

⁷ Telephone interview with Donald Coesville, affirmative action officer, New York State Urban Development Corporation, New York City (August 2, 1973).

⁸ Telephone interview with William Gray, Co-ordinator for Small Business Procurement, Illinois State Department of General Services, Springfield, Illinois (May 17, 1974).

to drive out competition, most of the cases were described as simply matters of long overdue shakeups in traditional bidding arrangements.⁹

Specific local agencies could also assist the upgrading effort. For example, especially in the South the local vocational education agency could play a key role in assisting minority contractors to combat their labor problem by working in conjunction with a minority contractors association. Perhaps a cooperative work-study program could be arranged or at least a better placement program for vocational program graduates in construction could be coordinated.

Labor unions can take some positive steps to assist minority contractors. As noted previously, a major reason why contractors avoid signing union contracts is that they fear they will not be able to get high-quality jobs. At least one labor union in Atlanta is attempting to resolve this problem by helping to ensure that its newly signed minority contractors are considered for good projects.

The surety industry -- especially at the local level -- can also do more to assist minority contractors. Surety agents can establish relationships with associations of minority contractors and can help educate members in procedures used by the industry. Further, the industry can eliminate misunderstanding by revealing the reasons in cases in which bonding applications of minority contractors are denied.

Banks can likewise establish working relationships with minority contractors' associations to help contractors with their financial problems and can agree to participate in the new SBA program for interim financing. Further, they can expand the capacity of a revolving loan fund by agreeing to lend a multiple of the fund monies deposited with them. Perhaps most importantly, they can improve upon their affirmative action efforts to increase the number of minority loan officers, to whom many minority contractors feel they can best relate to overcome what they observe to be the most pressing problem -- lack of financing.

⁹Confidential communication (1973).

In summary, through it is unwise to expect grandiose results from efforts to upgrade the few existing minority contractors, there is some limited potential for improving and expanding minority business in construction which could be realized. Several agencies and groups can play a role in this effort, although the existence of strong minority contractors' associations is probably central to almost any successful endeavor at this stage in time.

APPENDIX A
TABLES DETAILING INFORMATION COLLECTED
IN INTERVIEWS WITH CONSTRUCTION CONTRACTORS

Table 7-1
Contractors Interviewed, By Current Age,
By City and Racial/Ethnic Background

Age Category	Atlanta		Denver		Chicago		San Francisco-Oakland						San Francisco-Oakland				
	Black	White	Black	White	Black	White	Black	White	Spanish American	Chinese American	Japanese American	American Indian	Total	Subtotal Citizens in South	Total	Subtotal Citizens in All Cities	
Max was your age last birthday?																	
25 or under	0	0	1	1	2	2	0	0	0	0	0	0	0	0	0	0	0
26 - 30	3	2	5	7	10	2	0	0	0	0	0	0	0	3	5	15	0
31 - 35	5	1	7	8	13	2	2	4	7	1	1	0	12	16	29	1	1
36 - 40	11	3	16	19	20	5	4	9	13	3	1	2	19	28	58	1	1
41 - 45	7	0	18	10	17	3	3	6	6	0	2	2	16	22	39	2	2
46 - 50	9	2	3	5	14	2	3	5	19	5	4	7	39	44	58	7	7
51 - 55	6	2	5	8	16	5	2	7	21	5	1	1	39	36	50	3	3
56 - 60	3	0	0	0	3	3	0	3	12	2	0	0	15	18	21	3	3
61 - 65	5	0	0	0	5	0	0	0	7	1	0	0	11	11	16	3	3
66 or over	1	0	0	0	1	1	1	1	1	1	0	0	2	3	4	4	4
Mean Average Age	45.4	41.5	39.5	39.9	42.5	42.9	42.1	42.9	46.2	47.8	46.9	44.9	46.0	46.7	45.1	45.1	51.6
Total Respondents	50	11	47	58	106	26	14	40	89	24	7	18	6	186	294	294	23

SOURCE: Personal interviews with contractors. Data for Atlanta and Houston were gathered in 1971. Data for Chicago and San Francisco-Oakland were collected during 1973-1974.

Table A-2
Contractors Interviewed, by Age at Founding of Firm,
By City and Racial/Ethnic Background

Age Categories	Atlanta				Houston				Chicago				San Francisco-Oakland				San Francisco-Oakland		
	Blacks		Spanish American		Blacks		Spanish American		Blacks		Spanish American		Blacks		Spanish American		Subtotal Cities in Non-South	Total All Cities	
	Blacks	Spanish American	Blacks	Spanish American	Blacks	Spanish American	Blacks	Spanish American	Blacks	Spanish American	Blacks	Spanish American	Blacks	Spanish American	Blacks	Spanish American			
25 or under	11	10	5	15	3	1	4	7	1	1	2	3	1	1	3	11	35	41	5
26 - 30	8	14	3	17	7	1	8	15	3	1	4	3	1	1	5	23	31	56	7
31 - 35	11	7	3	10	5	6	11	27	3	5	6	6	5	2	48	59	80	2	2
36 - 40	9	9	9	9	6	3	9	31	6	6	6	6	6	6	33	32	50	1	1
41 - 45	4	4	4	4	3	3	6	16	5	1	6	5	1	6	22	26	36	4	4
46 - 50	1	2	2	2	1	1	2	10	2	2	2	2	2	2	12	14	21	3	3
51 - 55	1	1	1	1	1	1	2	2	2	2	2	2	2	2	4	6	6	6	6
56 - 60	1	1	1	1	1	1	1	1	1	1	1	1	1	1	2	2	2	2	2
61 or more	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Mean average age at founding of firm	31.3	26.5	31.9	30.9	37.1	35.5	36.2	35.4	34.0	32.3	31.3	34.0	35.9	35.8	34.4	34.4	34.4	34.4	34.4
Total Respondents	45	11	47	58	36	16	42	89	23	7	18	6	2	145	187	294	294	294	23

SOURCE: Personal interviews with contractors. Data for Atlanta and Houston were gathered in 1971. Data for Chicago and San Francisco-Oakland were collected during 1973-1974.

Table A-3
Contractors Interviewed, by Grade Level, Formal
Education: By City and Racial/Ethnic Background

Grade Level Formal Education	Atlanta		Houston		Chicago		San Francisco-Oakland					
	Black	Spanish American ¹	Black	Spanish American	Black	Spanish American	Spanish American	Spanish American	Chinese American	Japanese American	American Indian	White
0	0	2	0	0	0	0	0	0	0	0	0	0
1-4	3	6	0	0	3	0	0	0	0	0	0	1
5-8	4	14	1	6	12	8	1	2	0	0	0	1
9-11	10	10	0	2	16	2	2	3	0	0	0	1
12	13	7 ²	1	2	34	7	0	3	0	0	2	11
13-15	10	5	4	4	14	5	4	7	0	0	0	6
16	8	4	6	2	10	3	1	2	2	2	0	4
17 and above	2	1	0	1	2	0	0	1	4	4	0	1
Total Responses	50	49	13	26	91	15	25	18	6	2	2	25
Mean Grade Level Completed	12.0	13.7	9.1	11.9	11.5	10.6	11.0	12.2	12.4	15.2	12.0	12.9

1. Five contractors completed their schooling in Mexico. The Mexican grade level system differs a little from the one used in the U.S., so the grade levels were converted into U.S. equivalents for the purposes of analysis.

2. Four of the seven high school diplomas were earned by taking the GED examination.

SOURCE: Personal interviews with contractors. Data for Atlanta and Houston were gathered in 1971. Data for Chicago and San Francisco-Oakland were collected during 1973-1974.

Table A-4
Contractors Interviewed, by Business Background,
By City and Racial/Ethnic Background

	Atlanta		Houston		Chicago		Total cities in the South		San Francisco-Oakland		Total Cities in non-South	
	Black	Spanish American	Black	Spanish American	Black	Spanish American	Black	Spanish American	Black	Spanish American	Black	Spanish American
Both business training and previous business experience	5	3	5	8	6	6	6	13	1	1	0	16
Business training only	6	3	6	9	7	2	9	18	4	4	1	27
Previous business experience only	7	1	10	11	6	2	8	18	6	3	1	32
Neither business training or business experience	24	4	30	34	7	11	18	43	11	6	4	76
Total responses	42	11	51	62	26	15	41	92	25	8	6	151
												192
												296

SOURCE: Personal interviews with minority contractors. Data for Atlanta and Houston were gathered in 1975. Data for Chicago and San Francisco-Oakland were collected during 1973-1974.

Table A-5
Contractors Interviewed, by Original Trade, by City
and Racial/Ethnic Background

Original Trade	Atlanta		New York		Chicago		Subtotal		San Francisco-Oakland		Subtotal		Total Interviewed in Cities	San Francisco-Oakland Total
	Black	White	Black	White	Black	White	Black	White	Black	White	Black	White		
Auto Conditioning/Mechanical/Electrical	6	1	6	7	1	1	1	1	1	1	1	1	22	6
Carpentry/Cabinet Maker/Boysell Shopper	11	6	12	18	1	4	6	10	1	4	2	4	79	4
Concrete	-	1	1	1	1	1	1	1	1	1	1	1	6	1
Electrician	3	1	2	3	1	3	4	6	1	2	5	2	24	2
Ironworker	1	-	-	-	1	1	1	1	1	1	1	1	5	1
Mason/Bricklayer	12	1	-	1	1	1	2	1	1	1	1	1	18	2
Painter	3	1	2	3	-	-	6	6	1	1	1	4	27	3
Plasterer/Carver	2	-	-	-	2	2	2	2	5	1	-	-	10	-
Plumber/Pipefitter	4	2	6	8	5	2	7	12	1	1	1	1	31	1
Roofer	1	-	1	2	3	-	3	3	2	1	-	-	6	1
Tinsmith	2	-	10	10	12	1	1	12	2	1	-	-	35	-
Union Carpenter	3	1	4	5	8	4	1	8	7	2	-	1	43	1
Welder	-	-	-	-	2	2	2	2	1	1	-	-	4	-
Welder	3	-	7	7	10	4	8	10	4	4	-	4	34	7
Total Interviews	51	12	51	64	116	27	25	42	91	25	6	18	104	25

Contractors interviewed with data for Atlanta and Houston were gathered in 1971. Data for Chicago and San Francisco-Oakland were collected during 1971-1974.

Table A-6
Contractors Interviewed, by Source of Training, by City, and Racial/Ethnic Background

Source of Training	All race		Black		Hispanic American		Chinese American		Black		Hispanic American		Chinese American		Total		Total		Total		San Francisco Oakland Public
	Black	Hispanic American	Black	Hispanic American	Black	Hispanic American	Black	Hispanic American	Black	Hispanic American	Black	Hispanic American	Black	Hispanic American	Black	Hispanic American	Black	Hispanic American	Black	Hispanic American	
"Picked it up on the job"	22	10	46	50	73	8	6	14	54	14	2	11	4	-	85	99	171	-	-	10	
Postsecondary Vocational Education (including private vocational education)	15	7	14	29	3	3	3	7	7	3	2	-	-	-	12	17	46	-	-	2	
High School Vocational Education	5	2	4	6	11	2	2	4	2	-	1	-	-	-	3	7	10	-	-	-	
On-Job Apprenticeship	6	-	5	11	7	3	10	3	26	10	3	2	-	2	43	53	64	-	-	0	
Federal Government Response Program	2	-	-	-	2	-	-	-	1	-	-	-	-	-	1	1	3	-	-	-	
Training in Armed Forces	1	1	-	1	2	-	-	1	1	1	1	1	-	-	4	4	6	-	-	-	
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total respondents ¹	47	13	66	99	106	20	16	34	54	23	7	17	5	2	106	142	268	-	-	23	

The total respondents figure does not necessarily agree with the total number of responses, since a few contractors reported use of more sources.

NOTES: Personal interview with contractors. Data for Atlanta and Houston were obtained in 1971. Data for Chicago and San Francisco-Oakland were collected during 1973-1974.

Table A-7
Contractors Interviewed, By Years of Experience at Trade,
By City and Racial/Ethnic Background

Years of Experience at Trade	Atlanta			Houston			Chicago			San Francisco-Oakland					San Francisco-Oakland			
	Black	Spanish American	Total	Black	Spanish American	Total	Black	Spanish American	Total	Black	Spanish American	Chinese American	Japanese American	American Indian	Total	Subtotal Cities Non-South	Total Whites	
2 or less	-	1	1	-	1	1	-	2	2	1	-	-	-	-	1	3	4	1
3 - 5	-	1	1	1	1	2	1	1	2	1	1	-	-	-	2	5	6	2
6 - 10	2	6	8	3	2	5	4	1	5	1	-	-	-	-	6	11	21	1
11 - 14	7	5	12	5	1	6	8	2	10	2	-	-	-	-	13	19	31	1
15 or more	34	9	43	14	8	22	16	20	36	20	7	12	5	-	42	137	212	18
Mean average years at the trade	24.0	23.3	23.9	24.2	18.9	21.4	23.5	22.0	23.0	23.0	23.0	19.5	20.0	37	23.1	21.9	21.7	28.4
Total respondents	43	11	54	23	14	37	83	24	37	110	7	17	5	2	139	175	274	23

Contractors interviewed with
SOURCE: Personal interviews with
Contractors. Data for Atlanta and Houston were gathered in 1971.
Data for Chicago and San Francisco-Oakland were collected during 1973-1974.

Table A-3
Contractors Interviewed, by Time in Trade Before Going Into Business
for Self, by City and Racial/Ethnic Background

How long did you practice trade before going into business for self? 1 or less	Atlanta		Houston		Chicago		San Francisco-Oakland		San Francisco-Oakland		San Francisco-Oakland		Total all cities
	Black	White	Black	White	Black	White	Black	White	Black	White	Black	White	
1 or less	4	2	4	6	1	1	2	2	2	2	2	2	18
2	3	1	1	1	1	1	1	1	1	1	1	1	11
3	2	1	1	1	2	1	3	2	2	2	2	2	11
4	1	2	4	4	2	2	2	4	2	2	2	2	11
5	1	2	2	2	2	2	4	2	2	2	2	2	14
6-10	8	5	13	10	7	4	11	20	5	3	10	3	60
11-15	9	1	13	14	3	2	5	20	4	3	1	2	30
16-20	7	2	4	6	13	2	4	11	1	1	1	1	17
21 or more	7	2	3	3	10	4	1	9	4	1	1	1	21
Total respondents	64	11	64	55	99	23	14	37	82	21	7	17	270

Source: Personal interviews with contractors. Data for Atlanta and Houston were gathered in 1971. Data for Chicago and San Francisco-Oakland were collected during 1972-1974.

Table A-14
Contractors Interviewed, by Commitment to Contracting,
by City and Race/Ethnic Background

Commitment to Contracting	Atlanta		Houston		San Antonio		Dallas		San Francisco-Oakland		San Francisco-Oakland		San Francisco-Oakland		San Francisco-Oakland		
	Black	White	Black	White	Black	White	Black	White	Black	White	Black	White	Black	White	Black	White	
Yes	23	6	9	15	24	5	7	12	15	8	2	2	2	2	2	2	4
No	30	6	34	40	70	21	10	31	69	15	8	16	6	2	2	2	18
Total respondents	43	12	43	55	94	26	12	43	84	23	8	18	8	4	4	4	22

SOURCE: PERSONAL INTERVIEWS WITH CONTRACTORS. DATA FOR ATLANTA AND HOUSTON WERE GATHERED IN 1971; DATA FOR SAN ANTONIO, DALLAS, AND SAN FRANCISCO-OAKLAND WERE COLLECTED DURING 1973-1974.

Table A-10
Contractors Interviewed, by Father's Principal Occupation,
by City and Racial/Ethnic Background

Father's Principal Occupation	Atlanta			Chicago			San Francisco-Oakland			Subtotal, cities in South			Subtotal, cities in CON-28424			Total minorities all cities	San Francisco-Oakland Whites
	Black	Spanish American	Other	Black	Spanish American	Other	Black	Spanish American	Other	Black	Spanish American	Other	Black	Spanish American	Other		
TOTAL SELF-EMPLOYED	21	9	26	35	10	24	31	10	6	5	1	63	67	347	14		
Construction Contractor	-	4	5	9	2	7	4	2	1	1	-	8	16	31	1		
Sewer Trade	-	-	2	2	-	4	2	1	-	-	-	5	10	17	1		
Different Trade	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Trade Unspecified	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Independent farmer or rancher	2	3	12	15	3	6	13	3	1	1	-	18	24	47	4		
Other nonconstruction business	1	2	7	9	10	3	10	4	2	3	-	28	35	45	2		
Self-employed, unspecified	-	-	-	-	-	-	-	-	-	-	-	1	1	4	3		
TOTAL NOT SELF-EMPLOYED	22	1	22	26	48	8	43	11	2	7	1	65	78	231	11		
Construction Employee	-	1	4	5	12	1	5	-	-	-	-	6	7	19	3		
Employee, other than construction	1	1	18	21	36	7	37	11	2	7	1	59	71	107	8		
Employee, unspecified	-	-	-	-	-	2	3	-	-	1	-	3	-	5	-		
TOTAL RESPONDENTS	43	10	48	61	58	34	76	21	8	18	2	131	170	278	25		

SOURCE: Personal interviews with contractors. Data for Atlanta and Houston were gathered in 1971. Data for Chicago and San Francisco-Oakland were collected during 1973-1974.

Table A-9
Proportion of Contractors Interviewed who Have a Relative in Construction
By City and Racial/Ethnic Background

	Atlanta		Chicago		Houston		Los Angeles		Miami		New York		San Francisco	
	Black	White	Black	White	Black	White	Black	White	Black	White	Black	White	Black	White
Have a relative in construction (as a percent of total respondents)	31 (63%)	25 (52%)	14 (54%)	10 (63%)	24 (57%)	24 (57%)	45 (50%)	6 (33%)	6 (25%)	25 (50%)	2 (10%)	2 (10%)	157 (52%)	25 (25%)
Total respondents	49	49	26	16	42	42	91	16	16	50	2	2	300	25

SOURCE: Personal interviews with contractors. Data for Atlanta and Houston were gathered in 1971. Data for Chicago and San Francisco-Oakland were collected during 1973-1974.

Table A-1
Contractors Interviewed, by Father's Principal Occupation,
By City and Racial/Ethnic Background

Father's Principal Occupation	ATLANTA		MEMPHIS		CHICAGO		SUBTOTAL, CITIES IN SOUTH		SAN FRANCISCO-OAKLAND		SUBTOTAL, CITIES IN NORTH		Total all cities	San Francisco-Oakland offices
	Black	Spanish American	Black	Spanish American	Black	Spanish American	Black	Spanish American	Black	Spanish American	Black	Spanish American		
TOTAL SELF-EMPLOYED	22	24	25	40	14	10	31	10	6	5	10	63	147	14
Construction Contractor	4	5	9	16	2	5	7	4	2	1	1	8	21	1
Team Trade	2	2	2	4	2	2	4	2	1	1	1	5	12	1
Trade unspecified	2	3	7	12	0	3	3	2	1	0	0	3	9	0
Independent farmer or rancher	1	3	15	23	5	3	6	13	3	1	1	18	47	3
Other nonconstruction business	4	2	9	10	3	4	7	18	4	2	9	35	45	4
Self-employed, unspecified	1	1	1	3	1	1	2	1	1	1	1	4	14	0
TOTAL NOT SELF-EMPLOYED	22	22	26	48	8	5	13	43	12	2	7	65	172	11
Construction Employee	1	4	5	12	1	1	2	5	1	1	1	6	19	3
Employee, other than construction	1	1	21	36	7	5	12	37	11	2	7	59	107	8
Employee, unspecified	1	1	1	3	2	2	4	2	1	1	1	3	5	0
TOTAL BIRTH DUMPS	6	12	43	108	24	15	39	78	2	8	18	131	278	25

SOURCE: Personal interviews with contractors. Data for Atlanta and Houston were gathered in 1971. Data for Chicago and San Francisco-Oakland were collected during 1971-1974.

Table A-2.
Contractors Interviewed, by Trade Association, Membership
by City and Racial/Ethnic Background

Trade Association	ALABAMA		ARIZONA		CALIF.		CHICAGO		FLORIDA		SAN FRANCISCO-OAKLAND				SUBTOTAL, Contractors in all cities		SAN FRANCISCO- OAKLAND TOTAL	
	Black	White	Black	White	Black	White	Black	White	Black	White	Black	Hispanic	Chinese	Japanese	American Indian	Total		
Members in Construction Trade Associations	32	1	15	23	55	18	13	31	31	13	31	13	2	15	1	57	88	143
Members/ trade association only	3	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	16	40
Members/ trade association only	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	16	30
Members/ trade association only	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	16	47
Total	36	4	18	26	57	19	14	41	41	14	41	14	4	16	2	150	191	324

Source: Personal interviews with contractors. Data for Atlanta and Houston were gathered in 1971.
Data for Chicago and San Francisco-Oakland were gathered during 1971-1974.

Table A-12
Contractors Interviewed, by Membership in Construction Unions,
By City and Racial/Ethnic Background

Membership in Construction Union	Atlanta		Houston		Chicago		San Francisco-Oakland		San Francisco-Oakland		Total minorities, all cities	Total non-South	Subtotal, cities in San Francisco-Oakland White
	Black	White	Black	White	Black	White	Black	White	Black	White			
Never saw a member of a	22	7	34	41	5	7	12	14	4	4	108	45	2
International Union of	23	2	15	18	15	11	27	70	6	10	374	133	10
of Electrical, Radio and	(51)	(804)	(314)	(310)	(28)	(63)	(89)	(81)	(78)	(70)	(42)	(75)	(8)
Telegraph and Telephone	-	-	-	-	-	-	-	-	-	-	-	-	-
Union of Plumbers and	-	-	-	-	-	2	2	7	2	4	17	17	2
Sanitary Engineers	-	-	-	-	-	3	3	5	1	1	21	16	1
Ironworkers	-	-	-	-	-	2	2	2	1	1	4	4	1
Boiler Makers	1	-	1	1	1	1	1	1	1	1	1	1	1
Others	6	2	3	5	3	4	7	11	1	1	21	2	2
Electricians	1	1	1	1	1	1	2	2	1	1	4	4	2
Painters	2	-	-	-	-	1	1	1	1	1	18	16	2
20-20-20	1	-	-	-	-	1	1	1	1	1	21	21	2
21-20-20	1	-	-	-	-	1	1	1	1	1	2	2	2
22-20-20	1	-	-	-	-	1	1	1	1	1	2	2	2
23-20-20	1	-	-	-	-	1	1	1	1	1	2	2	2
24-20-20	1	-	-	-	-	1	1	1	1	1	2	2	2
25-20-20	1	-	-	-	-	1	1	1	1	1	2	2	2
26-20-20	1	-	-	-	-	1	1	1	1	1	2	2	2
27-20-20	1	-	-	-	-	1	1	1	1	1	2	2	2
28-20-20	1	-	-	-	-	1	1	1	1	1	2	2	2
29-20-20	1	-	-	-	-	1	1	1	1	1	2	2	2
30-20-20	1	-	-	-	-	1	1	1	1	1	2	2	2
TOTAL	65	18	69	99	104	118	222	266	25	34	139	178	18

Personal interviews with contractors. Data for Atlanta and Houston were gathered in 1971. Data for Chicago and San Francisco-Oakland were collected during 1973-1974.

Table A-1
Contractors interviewed, 1970-1971 in reference to
Contractors by City and State in 1970-1971

Years of Experience in Contracting	N.C.S.C. 1970		Houston 1971		Subtotal cities in South		Chicago Spanish American		Total		San Francisco-Oakland San Francisco Oakland		San Francisco- Oakland San Francisco Oakland	
	Black	White	Black	White	Black	White	Black	White	Black	White	Black	White	Black	White
0-2	1	16	9	14	9	14	5	5	1	1	0	0	12	26
3-7	1	10	10	13	10	13	7	7	1	1	0	0	41	51
8-14	2	16	10	13	10	13	1	1	2	2	0	0	41	46
15 or more	1	8	16	13	16	13	3	3	3	3	5	4	36	65
Mean average years	2.7	7.4	9.1	10.7	9.0	10.7	6.2	7.4	7.4	10.4	14.8	14.7	12.3	13.2
Total respondents	2	50	37	43	37	43	16	16	3	3	6	2	150	193

SOURCE: Personal interviews with contractors. Data for Atlanta and Houston were gathered in 1971.
Data for Chicago and San Francisco-Oakland were gathered during 1970-1971.

Table A-10
Contractors Interviewed, by Commitment to Contracting,
By City and Racial/Ethnic Background

City	Atlanta		Houston		San Francisco		Chicago		San Francisco-Oakland		San Francisco-Oakland		Total minorities, all cities
	Black	Spanish American	Black	Spanish American	Black	Spanish American	Black	Spanish American	Black	Spanish American	Black	Spanish American	
Feb	23	6	9	15	28	5	7	12	19	6	2	29	69
Mar	30	6	14	60	70	21	19	31	69	15	16	2	217
Total respondents	43	12	43	55	98	26	17	43	88	21	18	2	286

NOTE: Interviews with contractors. Data for Atlanta and Houston were gathered in 1971. Data for San Francisco-Oakland were collected during 1972-1974.

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Table A-15

Contractors Interviewed, By Age of Present Firm
By City and Racial/Ethnic Background

Age of Present Firm (in Years)	Atlanta			Houston			Subtotal Cities in South			Chicago			San Francisco-Oakland					San Francisco- Oakland		
	Black	Spanish American	Total	Black	Spanish American	Total	Black	Spanish American	Total	Black	Spanish American	Total	Spanish American	Chinese American	Japanese American	American Indian	Total	Subtotal Cities in Non-South	Total Minorities All Cities	Whites
Less than 1	5	1	4	1	4	5	2	1	3	1	1	2	-	9	-	-	10	13	23	-
1	4	1	3	4	4	8	4	1	5	2	4	4	-	-	-	-	6	11	19	1
2	7	2	9	9	11	18	3	2	5	3	4	4	-	-	-	-	7	12	30	-
3	3	-	7	7	7	10	4	2	6	16	2	1	-	-	-	-	19	25	35	-
4	2	1	2	2	3	5	2	1	3	9	2	-	-	-	1	-	12	15	20	1
5	1	-	3	3	3	4	1	4	5	3	1	-	-	-	-	-	5	10	14	-
6-10	11	1	11	11	12	23	3	3	6	21	5	1	-	-	-	-	27	33	56	3
11-15	5	1	7	7	8	13	1	1	2	14	2	3	-	-	2	-	22	24	37	2
16 or more	10	5	3	8	8	16	5	1	6	21	5	3	6	2	1	1	41	47	65	16
Total respondents	48	12	49	61	61	129	25	16	41	90	25	9	18	6	2	2	149	190	299	25

SOURCE: Personal interviews with contractors. Data for Atlanta and Houston were gathered in 1971. Data for Chicago and San Francisco-Oakland were collected during 1973-1974.



Table A-1
Contractors Interviewed, by Firm of Business
Organization by City and Racial/Ethnic Background

Firm of Business Organization	Atlanta		Houston		Subtotal		Chicago			San Francisco-Oakland			San Francisco-Oakland	
	Black	Spanish American	Black	Spanish American	Black	Spanish American	Black	Spanish American	Black	Spanish American	Black	Spanish American	Total	Total
Proprietorship (owner operated)	21	39	45	80	13	11	24	49	3	13	2	1	103	126
Partnership	2	4	6	10	-	2	2	3	-	-	3	-	12	14
Corporation (as a percent of total respondents)	24	24	8	20	13	3	16	26	3	5	1	1	32	40
	(24%)	(24%)	(14%)	(18%)	(50%)	(15%)	(38%)	(24%)	(24%)	(28%)	(17%)	(50%)	(22%)	(26%)
Total respondents	27	47	59	110	26	16	42	87	6	18	6	2	146	180

SOURCE: Personal interviews with contractors. Data for Atlanta and Houston were gathered in 1971.
Data for Chicago and San Francisco-Oakland were collected during 1971-1974.

Table A-17
Contractors Interviewed, by Union Status
of Their Firms: By City and Racial/Ethnic Background

Union Status	Atlanta		Boston		Chicago		San Francisco-Oakland		Subtotal, cities in South		Subtotal, cities in non-South		San Francisco-Oakland White	
	Black	Spanish American	Black	Spanish American	Black	Spanish American	Black	Spanish American	Total	Black	Spanish American	Total	American Indian	Total
Union Shop (as a percent of total respondents)	8 (16%)	3 (6%)	20 (77%)	41 (43%)	26 (65%)	19 (79%)	6 (75%)	4 (47%)	4 (83%)	5 (50%)	1 (50%)	107 (74%)	1 (100%)	144 (100%)
Non-union Shop	41	44	6	8	14	5	2	9	1	1	1	38	52	169
Total respondents	49	47	26	14	40	24	8	17	6	2	2	145	105	293

SOURCE: Interviews with contractors. Data for Atlanta and Boston were gathered in 1971. Data for Chicago and San Francisco-Oakland were collected during 1973-1974.

Table A-18
Contractors Interviewed, by Whether or Not They Operate
in a "Hot" Office, by City and Racial/Ethnic Background

	ALBANY		BOSTON		SUBURBAN CITIES IN STATE		CHICAGO SPRING FIELD		SAN FRANCISCO-OAKLAND		SAN FRANCISCO- OAKLAND WHITE	
	Black	Spanish American	Black	Spanish American	Black	Spanish American	Black	Spanish American	Black	Spanish American	Black	Spanish American
Hot office	33 (69%)	34 (80%)	12 (50%)	12 (50%)	25 (60%)	54 (60%)	11 (44%)	2 (8%)	12 (71%)	1 (17%)	81 (51%)	103 (61%)
Not hot office	15	17	13	4	17	36	14	6	5	5	67	116
Total respondents	48	51	25	16	42	90	25	8	17	6	148	219

Contractors interviewed in Atlanta and Boston were gathered in 1971.
Data for Chicago and San Francisco-Oakland were collected during 1971-1974.

Table A-19
Contractors Interviewed, by Form of Contract Used,
By City and Ethnic/Racial Background

Form of Contract Used	Atlanta			Chicago			San Francisco-Oakland			Subtotal			San Francisco-Oakland White	
	Black	Black (%)	Total	Black	Black (%)	Total	Black	Black (%)	Total	Black	Black (%)	Total		
Verbal, predominantly (as percent of total respondents)	4	(25%)	15	1	(5%)	2	2	(100%)	4	1	(25%)	20	2	(8%)
Both, verbal and written, about equally	0	0	0	0	0	0	0	0	2	0	0	8	0	0
Both, proportion not specified	0	0	0	1	2	3	2	3	3	0	0	8	0	0
Written, predominantly	29	0	43	17	10	27	73	21	7	11	2	142	4	3
Total respondents	43	12	44	58	14	73	85	23	18	6	1	176	17	24

Note: In interviews conducted in Atlanta and Boston, contractors were given only two choices -- "verbal, predominantly" or "written predominantly."

SOURCE: Personal interviews with contractors. Data for Atlanta and Boston were gathered in 1971. Data for Chicago and San Francisco-Oakland were collected during 1973-1974.

Table A-20
Contractors Interviewed, by Form of Insurance Carried,
By City and Social/Ethnic Background

Form of Insurance Carried	Chicago				San Francisco-Oakland				Subtotal								
	Black		Spanish		Black		Spanish		Black		Spanish		Total, all cities				
	Black	American	Total	Spanish	Black	American	Total	Spanish	Black	American	Total						
Total respondents	47	22	45	57	104	26	17	43	34	85	6	18	6	2	138	181	205
Both liability insurance and workers compensation	31	7	28	35	66	24	10	34	34	75	6	18	6	2	133	167	233
Liability insurance only	0	0	2	2	2	0	1	1	0	1	0	0	0	0	1	2	4
Workers compensation only	1	0	0	1	1	0	0	0	0	2	0	0	0	0	2	2	4
None	0	0	14	19	34	2	6	8	0	0	0	0	0	0	2	10	44

SOURCE: Personal interviews with minority contractors. Data for Atlanta and Houston were gathered in 1971. Data for Chicago and San Francisco-Oakland were collected during 1973-1974.

Table A-21
Contractors Interviewed by Bookkeeping Methods:
By City and Racial/Ethnic Background

Who keeps books?	ATLANTA		MEMPHIS		MINNEAPOLIS		CHICAGO		SAN FRANCISCO-OAKLAND		SUBTOTAL		SAN FRANCISCO-OAKLAND					
	Black	White	Black	White	Black	White	Black	White	Black	White	Black	White	Black	White				
Contractor himself	12	4	9	13	25	13	4	13	23	7	1	8	2	0	41	54	79	4
wife or child	3	2	6	10	13	2	4	6	19	5	2	1	1	0	28	34	47	2
Employee, secretary or office manager	5	3	4	7	12	2	0	2	5	1	3	0	2	2	13	15	17	6
Employee, manager or accountant	6	2	2	3	9	4	2	6	13	4	0	2	0	0	19	25	34	9
Bookkeeping service	7	1	19	20	27	3	0	3	14	2	0	0	0	0	16	19	46	1
Outside accountant	7	0	6	8	15	3	1	4	11	2	1	3	0	0	17	21	34	1
Outside certified public accountant	13	5	6	13	26	6	2	8	21	6	1	4	3	0	35	43	69	10
Aided by advice of minority contractors	2	0	1	1	3	1	1	1	4	0	0	0	0	0	4	5	7	0
Total responses	39	10	43	53	92	25	16	41	91	24	8	18	6	2	149	190	282	25

Note: The individual columns may not add to total responses because several contractors made use of more than one method for keeping books.

SOURCE: Personal interviews with contractors. Data for Atlanta and Houston were gathered in 1971. Data for Chicago and San Francisco-Oakland were collected during 1973-1974.

Table A-22
Contractors Interviewed, by Type of Work Firm Performs,
By City and Race/Ethnic Background

Type of work performed	Atlanta		Houston		Subsidiary City in South		Chicago		San Francisco-Oakland			Total		Total Contractors in San Francisco- Oakland Area	
	Black	White	Black	White	Black	White	Black	White	American	American	American	Indian	Total		
Residential, etc.	4	3	12	15	21	1	3	4	14	3	2	1	19	23	44
Residential performance	29	7	25	32	61	4	5	5	29	5	4	1	32	37	98
Both residential and commercial industrial about equal	7	2	2	2	2	5	2	5	4	3	4	2	13	20	32
Commercial/industrial performance	22	2	9	11	21	11	2	11	4	5	1	1	21	22	43
Commercial/industrial etc.	2	2	2	2	4	3	2	4	2	1	2	2	9	13	27
Both residential and commercial industrial, projects not specified	2	2	2	2	2	3	6	11	41	9	5	4	44	75	119
Total respondents	27	12	48	60	107	27	16	43	59	25	18	6	140	191	239

NOTE: Percentages shown are for contractors. Data for Atlanta and Houston were gathered in 1977.
Data for Chicago and San Francisco-Oakland were collected during 1979-1978.

Table A-23
Contractors Interviewed, by Participation in Government Work,
By City and Racial/Ethnic Background

Participation in Government Work (as a percent of total respondents)	Atlanta		Houston		Chicago		Purdumai, cities in San Jose area		San Francisco-Oakland		San Francisco- Oakland White								
	B	W	B	W	B	W	B	W	B	W	B	W							
	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)							
Total respondents	26	16	24	50	21	7	28	83	21	5	10	4	2	125	153	203	1	28	(80%)
As a percent of total respondents	(54%)	(67%)	(36%)	(48%)	(78%)	(47%)	(67%)	(80%)	(84%)	(62%)	(56%)	(67%)	(52%)	2	(81%)	(79%)	(75%)	1	(80%)
Female	24	4	14	42	12	6	18	27	16	4	10	1	1	209	127	169	18	18	(72%)
As a percent of total respondents	(50%)	(23%)	(31%)	(42%)	(44%)	(40%)	(43%)	(48%)	(64%)	(50%)	(54%)	(17%)	(52%)	1	(73%)	(86%)	(82%)	1	(72%)
State	0	0	0	0	3	2	3	23	8	1	1	2	2	36	29	39	14	14	(56%)
As a percent of total respondents	(0%)	(0%)	(0%)	(0%)	(13%)	(0%)	(7%)	(25%)	(32%)	(12%)	(6%)	(33%)	(50%)	2	(24%)	(20%)	(34%)	1	(56%)
Local -- city, county, or school board	5	10	15	20	19	4	21	48	12	3	6	3	1	74	97	117	15	15	(60%)
As a percent of total respondents	(10%)	(42%)	(32%)	(19%)	(70%)	(27%)	(55%)	(52%)	(52%)	(35%)	(33%)	(50%)	(50%)	2	(49%)	(50%)	(43%)	1	(60%)
Total respondents	48	12	45	57	27	15	42	92	25	8	18	6	2	151	193	298	2	25	

Notes: Columns are additive because some contractors have performed work for more than one type of governmental contractor. Purdumai interviewees with contracts for Atlanta and Houston were included in 1971 data for Chicago and San Francisco-Oakland were collected during 1972-1974.

Table A-24

Contractors Interviewed, by Size of Largest Contract Performed:
By City and Racial/Ethnic Background

	Chicago			San Francisco-Oakland					Total of non-South cities	San Francisco-Oakland White		
	Black American	Spanish American	Total	Black American	Spanish American	Chinese American	Japanese American	Indian			Total	
1,000 or less	-	1	1	5	1	-	-	-	-	6	7	-
1,001 - 3,000	1	3	4	5	1	-	-	-	-	6	10	-
3,001 - 5,000	-	-	-	3	2	-	-	-	-	5	5	-
5,001 - 10,000	3	1	4	8	1	1	2	-	-	13	17	-
10,001 - 25,000	5	5	10	14	5	1	3	1	-	24	34	2
25,001 - 50,000	3	-	3	12	1	2	4	-	-	19	22	2
50,001 - 75,000	-	2	2	7	4	-	1	1	-	13	15	1
75,001 - 100,000	-	1	1	10	3	-	1	1	-	15	16	1
100,001 - 200,000	7	1	8	13	4	2	5	-	-	24	32	6
200,001 - 500,000	1	-	1	10	1	-	1	1	2	15	16	5
500,001 - 1,000,000	4	1	5	-	-	-	1	-	-	1	6	2
1,000,001 or more	-	-	-	3	-	1	1	-	-	5	5	6
Total responses	24	15	39	90	23	7	18	6	2	146	185	25

SOURCE: Personal interviews with contractors. Data for Chicago and San Francisco-Oakland were collected during 1973-1974.

Table A-21
Contractors Interviewed, by Comparison of Largest Contract of Career with Largest Government Contract: By City and Race/Ethnic Background

Categories of Contractor	Chicago		San Francisco-Oakland				Total cities in non-South	San Francisco-Oakland White		
	Black	Spanish American	Black	Spanish American	Chinese American	Japanese American			American Indian	
Government contract is largest	9	3	30	6	3	-	1	40	51	3
Government contract = 90% - 95% of largest	1	-	1	-	-	-	-	1	2	-
Government contract = 75% - 89%	3	-	5	2	-	-	-	7	10	1
Government contract = 50% - 74%	3	-	10	2	-	-	-	14	17	2
Government contract = 25% - 49%	1	1	2	2	1	-	-	13	15	5
Government contract = 10% - 24%	2	2	11	2	3	1	-	17	21	6
Government contract = Less than 10%	3	1	6	1	2	-	-	9	13	2
Total respondents	22	7	73	15	8	1	1	102	129	19

SOURCE: Personal interviews with contractors. Data for Chicago and San Francisco-Oakland were collected in 1971.

Table A-26
Contractors Interviewed, by Annual Gross Dollar Volume of Work Performed,
By City and Racial/Ethnic Background

Gross Dollar Volume	Atlanta, 1972		Chicago, 1972		Detroit, 1972		San Francisco-Oakland, 1972		San Francisco-Oakland, 1973		Total Minorities all Cities	Total all Cities	San Francisco- Oakland White																			
	Blacks		Blacks		Blacks		Blacks and American Indian		Blacks and American Indian																							
	Blacks	Blacks American	Blacks	Blacks American	Blacks	Blacks American	Blacks and American Indian	Blacks and American Indian	Blacks and American Indian	Blacks and American Indian																						
\$11,000 or less	3	18	21	19 (41.4%)	3	4	7	24	5	2	3	25	42 (25.0%)	41 (29.7%)	6																	
\$12,001 - 50,000	10	1	4	9 (19.6%)	1	1	1	16	2	1	1	23	24 (14.3%)	43 (16.3%)	1																	
\$51,001 - 75,000	3	1	2	3 (6.3%)	3	1	4	3	2	1	1	11	15 (8.9%)	21 (8.0%)	1																	
\$76,001 - 100,000	5	2	4	5 (11.5%)	6	1	7	6	3	1	2	11	18 (10.7%)	29 (11.0%)	1																	
\$101,001 - 200,000	3	1	5	7 (15.9%)	1	1	2	13	3	1	1	23	25 (14.9%)	35 (13.3%)	1																	
\$200,001 - 500,000	1	1	2	4 (8.3%)	4	1	5	32	1	2	4	22	23 (14.3%)	33 (12.5%)	1																	
\$500,001 - 1,000,000	1	1	1	2 (4.3%)	2	2	4	3	2	1	1	7	11 (6.5%)	13 (4.9%)	2																	
More than 1,000,000	2	1	1	3 (6.3%)	1	1	1	3	1	1	1	5	6 (3.6%)	9 (3.4%)	1																	
Median average gross dollar volume	\$42,050												\$75,557	\$31,500																		
Total respondents	45		7		41		52		96		22		21		31		64		18		7		15		6		137		164		264	

SOURCE: Personal interviews with contractors. Data for Atlanta and Houston were gathered in 1971. Data for Chicago and San Francisco-Oakland were collected during 1973-1976.

Table A-37
Contractors Interviewed, by Number of Employees Current, of the 70's
By City and Racial/Ethnic Background

Total Number of Employees Currently on Payroll	Atlanta			Boston			Chicago			San Francisco-Oakland			Subtotal, cities in South			Subtotal, cities in non-South			San Francisco-Oakland			Total minorities all cities		
	Black		Hispanic	Black		Hispanic	Black		Hispanic	Black		Hispanic	Black		Hispanic	Black		Hispanic	Black		Hispanic	Total		
	6	4	3	2	2	2	4	4	15	-	3	3	1	1	19	23	43							
0-3	20	3	2	6	7	13	16	12	3	3	3	1	1	60	23	116	3							
4-9	11	3	5	12	2	12	22	5	3	5	3	-	-	38	50	73	3							
10-49	9	2	6	6	3	10	18	6	2	3	2	1	1	31	41	58	13							
50 or more	2	-	-	1	-	1	-	-	-	-	-	-	-	-	1	4	4	4						
Total respondents	48	12	45	37	105	26	48	91	21	8	18	6	2	148	188	273	23							

SOURCE: Personal interviews with contractors. Data for Atlanta and Boston were gathered in 1971. Data for Chicago and San Francisco-Oakland were collected during 1973-1974.

Table 2-26
Total and State Composition of Employees Employed by Contractors
Subcontractors of DOD and Non-Federal Government

State	Federal Contractors		Non-Federal Contractors		Total		Subcontractors of DOD and Non-Federal Government		Total		State Composition	
	Number	Value	Number	Value	Number	Value	Number	Value	Number	Value	Number	Value
All States	645	1,011.5	257	94	902	1,105.5	133	871	1,236	1,977.5	1,472	1,977.5
Alabama	0	0	0	0	0	0	0	0	0	0	0	0
Alaska	0	0	0	0	0	0	0	0	0	0	0	0
Arizona	0	0	0	0	0	0	0	0	0	0	0	0
Arkansas	0	0	0	0	0	0	0	0	0	0	0	0
California	10	200.0	10	200.0	20	400.0	10	200.0	10	200.0	10	200.0
Colorado	0	0	0	0	0	0	0	0	0	0	0	0
Connecticut	0	0	0	0	0	0	0	0	0	0	0	0
Delaware	0	0	0	0	0	0	0	0	0	0	0	0
District of Columbia	0	0	0	0	0	0	0	0	0	0	0	0
Florida	0	0	0	0	0	0	0	0	0	0	0	0
Georgia	0	0	0	0	0	0	0	0	0	0	0	0
Hawaii	0	0	0	0	0	0	0	0	0	0	0	0
Idaho	0	0	0	0	0	0	0	0	0	0	0	0
Illinois	0	0	0	0	0	0	0	0	0	0	0	0
Indiana	0	0	0	0	0	0	0	0	0	0	0	0
Iowa	0	0	0	0	0	0	0	0	0	0	0	0
Kansas	0	0	0	0	0	0	0	0	0	0	0	0
Kentucky	0	0	0	0	0	0	0	0	0	0	0	0
Louisiana	0	0	0	0	0	0	0	0	0	0	0	0
Maine	0	0	0	0	0	0	0	0	0	0	0	0
Maryland	0	0	0	0	0	0	0	0	0	0	0	0
Massachusetts	0	0	0	0	0	0	0	0	0	0	0	0
Michigan	0	0	0	0	0	0	0	0	0	0	0	0
Minnesota	0	0	0	0	0	0	0	0	0	0	0	0
Mississippi	0	0	0	0	0	0	0	0	0	0	0	0
Missouri	0	0	0	0	0	0	0	0	0	0	0	0
Montana	0	0	0	0	0	0	0	0	0	0	0	0
Nebraska	0	0	0	0	0	0	0	0	0	0	0	0
Nevada	0	0	0	0	0	0	0	0	0	0	0	0
New Hampshire	0	0	0	0	0	0	0	0	0	0	0	0
New Jersey	0	0	0	0	0	0	0	0	0	0	0	0
New Mexico	0	0	0	0	0	0	0	0	0	0	0	0
New York	0	0	0	0	0	0	0	0	0	0	0	0
North Carolina	0	0	0	0	0	0	0	0	0	0	0	0
North Dakota	0	0	0	0	0	0	0	0	0	0	0	0
Ohio	0	0	0	0	0	0	0	0	0	0	0	0
Oklahoma	0	0	0	0	0	0	0	0	0	0	0	0
Oregon	0	0	0	0	0	0	0	0	0	0	0	0
Pennsylvania	0	0	0	0	0	0	0	0	0	0	0	0
Rhode Island	0	0	0	0	0	0	0	0	0	0	0	0
South Carolina	0	0	0	0	0	0	0	0	0	0	0	0
South Dakota	0	0	0	0	0	0	0	0	0	0	0	0
Tennessee	0	0	0	0	0	0	0	0	0	0	0	0
Texas	0	0	0	0	0	0	0	0	0	0	0	0
Utah	0	0	0	0	0	0	0	0	0	0	0	0
Vermont	0	0	0	0	0	0	0	0	0	0	0	0
Virginia	0	0	0	0	0	0	0	0	0	0	0	0
Washington	0	0	0	0	0	0	0	0	0	0	0	0
West Virginia	0	0	0	0	0	0	0	0	0	0	0	0
Wisconsin	0	0	0	0	0	0	0	0	0	0	0	0
Wyoming	0	0	0	0	0	0	0	0	0	0	0	0

NOTE: Percentages are based on the total number of employees employed by contractors and subcontractors of DOD and Non-Federal Government during 1972-1976.

Table A-29

Chief Problems of Minority Contractors as Reported by Contractors Themselves, Atlanta, 1971

Problems	Rank			All Ranks	
	#1	#2	#3	Subtotals	Totals
Finances					
(a) Finances in general	13	2	1	16	30
(b) Obtaining interim financing	8	2	-	10	-
(c) Meeting capital requirements	3	-	-	3	-
(d) Obtaining credit from supplier	-	-	-	-	-
(e) Customers have difficulty obtaining financing	1	-	-	1	-
Labor					
(a) Labor in general	4	3	1	8	23
(b) Recruitment	7	4	1	12	-
(c) Turnover	-	-	-	-	-
(d) Training	1	-	-	1	-
(e) Union segregation	1	-	-	1	-
(f) Aged work force	1	-	-	1	-
Lack of Management Skills					
(a) Lack of management skills in general	2	2	1	5	7
(b) Lack of financial knowledge	-	1	-	1	-
(c) Supervision	1	-	-	1	-
Bonding					
	-	5	1	6	6
Debt Collection					
	1	2	1	4	4
Cheap Competition					
	1	1	-	2	2
Marketing					
	-	-	-	-	0
Other Problems					
(a) Discrimination by city inspectors	2	-	-	2	4
(b) Other problems	2	-	-	2	-
No problems					
	2	-	-	2	2
Total respondents:					
				49	

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SOURCE: Personal interviews with minority contractors.

Table A-30

Chief Problems of Minority Contractors as Reported by Contractors Themselves, Houston, 1971

Problems	Rank			All Ranks	
	#1	#2	#3	Subtotals	Totals
Finances					
(a) Finances in general	7	6	3	16	35
(b) Obtaining interim financing	9	4	1	13	-
(c) Meeting capital requirements	2	1	-	3	-
(d) Obtaining credit from supplier	-	1	1	2	-
(e) Customers have difficulty obtaining financing	1	-	-	1	-
Labor					
(a) Labor in general	5	-	1	6	14
(b) Recruitment	4	3	-	7	-
(c) Turnover	1	-	-	1	-
Lack of Management Skills					
(a) Lack of management skills in general	1	3	1	3	10
(b) Estimating and bidding	-	3	-	5	-
(c) Bookkeeping	-	1	-	1	-
(d) Supervision of personnel	1	-	-	1	-
Marketing	6	1	2	9	9
Debt Collection	7	1	-	8	8
Cheap Competition	6	-	-	6	6
Bonding	3	3	-	6	6
Other Problems					
(a) Taxes	1	-	-	1	4
(b) Other problems	3	-	-	3	-
No problems	2	-	-	2	2
Total respondents:				46	

SOURCE: Personal interviews with minority contractors.

Chief Problems of Minority Contractors as Reported by Contractors Themselves, San Francisco-Oakland, 1973-1974: Black and Indian American Contractors

Problems	Rank		All Ranks	
	#1	#2	#3	Totals
Finances				
(a) Finances in general	28(21)	7(6)	3(3)	38(30)
(b) Obtaining interfirm financing	43(33)	5(5)	1	49(38)
(c) Meeting capital requirements	5(3)	1(1)	-	6(4)
(d) Obtaining credit from suppliers	-	-	-	-
(e) Customers have difficulty obtaining financing	-	-	-	-
Labor				
(a) Labor in general	1	4(2)	-	5(2)
(b) Recruitment	12(9)	5(2)	2(1)	19(12)
(c) Recruitment - supervisory personnel	1	3	-	4
(d) Turnover	1(1)	2(2)	-	3(3)
(e) Difficulties with union	3(1)	3(2)	2(2)	8(5)
(f) Training	5(3)	-	2(1)	7(4)
Lack of management skills				
(a) Lack of management skills in general	10(1)	5(4)	2(2)	12(7)
(b) Lack of knowledge of financing	-	2	-	2
(c) Supervision of personnel	-	1	-	1
(d) Estimating and bidding	2	-	1(1)	3(1)
(e) Bookkeeping	-	-	-	-
Marketing	11(6)	5(3)	2(2)	19(11)
Debt Collection	3	1	-	4
Cheap Competition	4(4)	3(2)	1	8(6)
Bonding	3(2)	10(9)	2(2)	15(13)
Discrimination	4(2)	4(3)	-	8(5)
Inflation of supply prices	4	2(2)	-	6(2)
Other problems	9(3)	1(2)	-	12(5)
No problems	18	-	-	18(0)
Total respondents	88			

Note: Numbers within parenthesis indicate respondents who explicitly noted that the problem hindered their firm's expansion.

SOURCE: Personal interviews with minority contractors. Data for Atlanta and Houston were gathered in 1971. Data for Chicago and San Francisco-Oakland were collected during 1973-1974.

Table A-32

Chief Problems of Minority Contractors as Reported by Contractors Themselves,
Chicago, 1973-1974: Black Contractors

Problems	Rank			All Ranks	
	#1	#2	#3	Subtotals	Totals
Finances					
(a) Finances in general	1(1)	-	-	1(1)	21(21)
(b) Obtaining interim financing	14(14)	4(4)	-	18(18)	-
(c) Meeting capital requirements	-	-	-	-	-
(d) Obtaining credit from supplier	1(1)	-	-	1(1)	-
(e) Customers have difficulty obtaining financing	-	1(1)	-	1(1)	-
Labor					
(a) Labor in general	-	-	-	-	2(1)
(b) Recruitment	-	-	-	-	-
(c) Recruitment - supervisory personnel	1(1)	-	-	1	-
(d) Turnover	1(1)	-	-	1	-
Lack of management skills					
(a) Lack of management skills in general	2(1)	2(2)	-	4	8(7)
(b) Lack of knowledge of financing	1(1)	2(2)	-	3	-
(c) Supervision of personnel	-	-	-	-	-
(d) Estimating and bidding	1(1)	-	-	1	-
(e) Bookkeeping	-	-	-	-	-
Marketing					
	-	-	-	-	-
Debt Collection					
	1	2(1)	-	-	3(1)
Cheap Competition					
	-	-	-	-	-
Bonding					
	1(1)	1(1)	1(1)	3(3)	3(3)
Discrimination					
	-	-	-	-	3
Inflation of supply prices					
	2	1	-	3	-
Other problems					
	3(2)	1(1)	-	4	4(3)
No problems					
	1(1)	-	-	1	1(1)
Total respondents					30

Note: Numbers within parenthesis indicate respondents who explicitly noted that the problem hindered their firm's expansion.

SOURCE: Personal interviews with minority contractors. Data for Atlanta and Houston were gathered in 1971. Data for Chicago and San Francisco-Oakland were collected during 1973-1974.

Table A-33

Chief Problems of Minority Contractors as Reported by Contractors Themselves,
San Francisco-Oakland, 1973-1974: Latin except
Spaniard American Contractors

Problems	Rank			All Ranks	
	#1	#2	#3	Subtotals	Totals
Finances					
(a) Finances in general	3 (3)	2 (2)	-	5 (5)	15 (15)
(b) Obtaining interim financing	5 (5)	1 (1)	1 (1)	7 (7)	-
(c) Meeting capital requirements	1 (1)	-	-	2 (2)	-
(d) Obtaining credit from suppliers	1 (1)	-	-	1 (1)	-
(e) Customers have difficulty obtaining financing	-	-	-	-	-
Labor					
(a) Labor in general	-	-	-	-	3 (3)
(b) Recruitment - supervisory personnel	-	2 (2)	-	2 (2)	-
(c) Turnover	-	-	-	-	-
(d) Difficulties with union	-	1 (1)	-	1 (1)	-
(e) Training	-	-	-	-	-
Lack of Management Skills					
(a) Lack of management skills in general	5 (4)	-	-	5 (4)	6 (4)
(b) Lack of knowledge of financing	-	-	-	-	-
(c) Supervision of personnel	-	-	-	-	-
(d) Estimating and bidding	-	-	-	-	-
(e) Bookkeeping	1	-	-	1	-
Marketing	5 (3)	-	-	5 (3)	5 (3)
Debt Collection	2	-	-	2	2
Cheap Competition	1	-	2 (1)	3 (1)	3 (1)
Bonding	-	-	-	-	-
Discrimination	-	-	-	-	-
Inflation of Supply Prices	1	-	-	1	1
Other Problems	10 (4)	5 (2)	-	15 (6)	15 (6)
No Problems	6 (2)	-	-	6 (2)	6 (2)
Total Respondents:					23

Note: Numbers within parenthesis indicate respondents who explicitly noted that the problem hindered their firm's expansion.

SOURCE: Personal interviews with minority contractors. Data for Atlanta and Houston were gathered in 1971. Data for Chicago and San Francisco-Oakland were collected during 1973-1974.

Chief Problems of Minority Contractors as Reported by Contractors Themselves,
San Francisco-Oakland, 1973-1974: Spanish American Contractors

Problems	Rank			All Banks	
	#1	#2	#3	Subtotals	Totals
Finances					
(a) Finances in general	1 (1)	2 (1)	-	3 (2)	7 (5)
(b) Obtaining interim financing	3 (2)	1 (1)	-	4 (3)	-
(c) Meeting capital requirements	-	-	-	-	-
(d) Obtaining credit from suppliers	-	-	-	-	-
(e) Customers have difficulty obtaining financing	-	-	-	-	-
Labor					
(a) Labor in general	-	3 (1)	-	3 (1)	7 (3)
(b) Recruitment	1	1	-	2	-
(c) Recruitment - supervisory personnel	1 (1)	-	-	1 (1)	-
(d) Turnover	-	-	-	-	-
(e) Difficulties with union	-	-	-	-	-
(f) Training	-	1 (1)	-	1 (1)	-
Lack of management skills					
(a) Lack of management skills in general	-	-	-	-	-
(b) Lack of knowledge of financing	-	-	-	-	-
(c) Supervision of personnel	-	-	-	-	-
(d) Estimating and bidding	-	-	-	-	-
(e) Bookkeeping	-	-	-	-	-
Marketing	1	1 (1)	-	2	2 (1)
Debt Collection	2	-	-	2	2
Cheap Competition	1 (1)	1 (1)	2 (1)	4 (3)	4 (3)
Bonding	-	-	-	-	-
Discrimination	-	-	-	-	-
Inflation of supply prices	1 (1)	-	-	1 (1)	1 (1)
Other problems	-	-	-	-	-
No problems	2 (1)	-	-	2 (1)	2 (1)
Total respondents:	7				

Note: Numbers within parenthesis indicate respondents who explicitly noted that the problem hindered their firm's expansion.

SOURCE: Personal interviews with minority contractors. Data for Atlanta and Houston were gathered in 1971. Data for Chicago and San Francisco-Oakland were collected during 1973-1974.

Table A-35

Chief Problems of Minority Contractors as Reported by Contractors Themselves,
Chicago, 1973-74: Spanish American Contractors

Problems	Rank		All Ranks	
	#1	#2	Subtotals	Totals
Finances				
(a) Finances in general	4 (4)	-	-	4 (4)
(b) Obtaining interim financing	5 (4)	4 (3)	-	9 (7)
(c) Meeting capital requirements	1	-	-	1
(d) Obtaining credit from suppliers	1	-	-	1
(e) Customers have difficulty obtaining financing	-	-	-	-
Labor				
(a) Labor in general	-	-	-	-
(b) Recruitment	-	-	-	1 (1)
(c) Recruitment - supervisory personnel	-	1 (1)	-	1 (1)
(d) Turnover	-	-	-	-
(e) Difficulties with union	-	-	-	-
(f) Training	-	-	-	-
Lack of management skills				
(a) Lack of management skills in general	2 (2)	-	-	2 (2)
(b) Lack of knowledge of financing	-	-	-	-
(c) Supervision of personnel	-	-	-	-
(d) Estimating and bidding	3 (1)	-	-	3 (1)
(e) Bookkeeping	-	-	-	-
Licensing	1 (1)	-	-	1 (1)
Marketing	2 (1)	-	1	3 (1)
Debt Collection	-	-	-	-
Cheap Competition	-	-	1 (1)	1 (1)
Bonding	-	1 (1)	1 (1)	2 (2)
Discrimination	-	-	-	-
Inflation of supply prices	-	-	-	-
Other problems	1 (1)	1 (1)	-	2 (2)
No problems	2 (1)	-	-	2 (1)
Total respondents:				15

Note: Numbers within parenthesis indicate respondents who explicitly noted that the problem hindered their firm's expansion.

SOURCE: Personal interviews with minority contractors. Data for Atlanta and Houston were gathered in 1971. Data for Chicago and San Francisco-Oakland were collected during 1973-1974.

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Chief Problems of Minority Contractors as Reported by Contractors Themselves,
San Francisco-Oakland, 1973-1974: Chinese American Contractors

Problems	Ranks			All Ranks	
	#1	#2	#3	Subtotals	Totals
Finances					
(a) Finances in general	2(2)	1(1)	-	3(3)	5(5)
(b) Obtaining interim financing	1(1)	-	-	1(1)	-
(c) Meeting capital requirements	1(1)	-	-	1(1)	-
(d) Obtaining credit from suppliers	-	-	-	-	-
(e) Customers have difficulty obtaining financing	-	-	-	-	-
Labor					
(a) Labor in general	1(1)	4(2)	-	5(3)	14(8)
(b) Recruitment	3(1)	-	-	3(1)	-
(c) Recruitment - supervisory personnel	1(1)	1(1)	1(1)	3(3)	-
(d) Turnover	-	-	-	-	-
(e) Difficulties with union	2(1)	-	-	2(1)	-
(f) Training	-	1	-	1	-
Lack of management skills					
(a) Lack of management skills in general	1(1)	1(1)	-	2(2)	3(3)
(b) Lack of knowledge of financing	-	-	-	-	-
(c) Supervision of personnel	-	-	-	-	-
(d) Estimating and bidding	-	1(1)	-	1(1)	-
(e) Bookkeeping	-	-	-	-	-
Marketing					
(a) Marketing	2(1)	-	-	2	2(1)
Debt Collection					
(a) Debt Collection	-	-	-	-	-
Cheap Competition					
(a) Cheap Competition	-	1	-	1	1
Bonding					
(a) Bonding	2(2)	1(1)	-	3(3)	3(3)
Discrimination					
(a) Discrimination	-	-	-	-	-
Inflation of supply prices					
(a) Inflation of supply prices	1	-	-	1	1
Other Problems					
(a) Other Problems	3(5)	3(3)	4(2)	15(12)	15(12)
No Problems					
(a) No Problems	-	-	-	-	-
Total respondents:					
					17

Note: Numbers within parenthesis indicate respondents who explicitly noted that the problem hindered their firm's expansion.

SOURCE: Personal interviews with minority contractors. Data for Atlanta and Houston were gathered in 1971. Data for Chicago and San Francisco-Oakland were collected during 1973-1974.

Table A-27

Chief Problems of Minority Contractors as Reported by Contractors Themselves,
San Francisco-Oakland, 1973-1974: Japanese American Contractors

Problems	Ranks			All Ranks	
	#1	#2	#3	Subtotals	Totals
Finances					
(a) Finances in general	-	-	-	-	-
(b) Obtaining interim financing	-	-	-	-	-
(c) Meeting capital requirements	-	-	-	-	-
(d) Obtaining credit from suppliers	-	-	-	-	-
(e) Customers have difficulty obtaining financing	-	-	-	-	-
Labor					
(a) Labor in general	-	-	-	-	5(4)
(b) Recruitment	-	-	-	-	-
(c) Recruitment - supervisory personnel	3(2)	-	-	3(2)	-
(d) Turnover	-	-	-	-	-
(e) Difficulties with union	-	1(1)	-	1(1)	-
(f) Training	-	-	1(1)	-	1(1)
Lack of management skills					
(a) Lack of management skills in general	1(1)	-	-	1(1)	1(1)
(b) Lack of knowledge of financing	-	-	-	-	-
(c) Supervision of personnel	-	-	-	-	-
(d) Estimating and bidding	-	-	-	-	-
(e) Bookkeeping	-	-	-	-	-
Marketing	1	-	-	-	1
Debt Collection	-	-	-	-	-
Cheap Competition	-	-	-	-	-
Bonding	-	-	-	-	-
Discrimination	-	-	-	-	-
Inflation of supply prices	-	-	-	-	-
Other problems	1(1)	-	-	-	1(1)
No problems	2(1)	-	-	-	2(1)
Total respondents:					7

Note: Numbers within parenthesis indicate respondents who explicitly noted that the problem hindered their firm's expansion.

SOURCE: Personal interviews with minority contractors. Data for Atlanta and Houston were gathered in 1971. Data for Chicago and San Francisco-Oakland were collected during 1973-1974.

Table A-38

Chief Problems of Minority Contractors as Reported by Contractors Themselves,
San Francisco-Oakland, 1973-1974: White Contractors

Problems	Ranks			All Ranks	
	#1	#2	#3	Subtotals	Totals
Finances					
(a) Finances in general	6(5)	-	1(1)	7(6)	14(11)
(b) Obtaining interim financing	4(3)	-	-	4(3)	-
(c) Meeting capital requirements	1(1)	1(1)	-	2(2)	-
(d) Obtaining credit from suppliers	1	-	-	1	-
(e) Customers have difficulty obtaining financing	-	-	-	-	-
Labor					
(a) Labor in general	1(1)	2(2)	1(1)	4(4)	10(7)
(b) Recruitment	2(2)	-	-	2(2)	-
(c) Recruitment - supervisory personnel	1	-	-	1	-
(d) Turnover	1	1(1)	-	2(1)	-
(e) Difficulties with union	1(1)	-	-	1	-
(f) Training	-	-	-	-	-
Lack of management skills					
(a) Lack of management skills in general	-	-	-	-	2
(b) Lack of knowledge of financing	-	-	-	-	-
(c) Supervision of personnel	1	-	-	1	-
(d) Estimating and bidding	1	-	-	1	-
(e) Bookkeeping	-	-	-	-	-
Marketing					
Marketing	-	2(1)	-	2	2(1)
Debt Collection					
Debt Collection	1	-	-	1	1
Cheap Competition					
Cheap Competition	1	1(1)	-	2	2(1)
Bonding					
Bonding	-	-	-	-	-
Discrimination					
Discrimination	-	1(1)	-	1	1(1)
Inflation of supply prices					
Inflation of supply prices	5	-	1(1)	6	6(1)
Other problems					
Other problems	7(3)	1(1)	3(1)	11	11(5)
No problems					
No problems	5(3)	-	-	5	5(3)
Total respondents					
Total respondents					20

Note: Numbers within parenthesis indicate respondents who explicitly noted that the problem hindered their firm's expansion.

SOURCE: Personal interviews with minority contractors. Data for Atlanta and Houston were gathered in 1971. Data for Chicago and San Francisco-Oakland were collected during 1973-1974.

Table A-35
Contractors Interviewed, by Largest Current Source of Financing,
by City and Social/Racial Background

Race	Atlanta		Baltimore		Chicago		San Francisco-Oakland		San Francisco-Oakland		San Francisco-Oakland	
	Black	White	Black	White	Black	White	Black	White	Black	White	Black	White
(As a percent of total respondents)	27 (60%)	36 (79%)	63 (79%)	10 (44%)	10 (44%)	11 (49%)	34 (45%)	4 (67%)	8 (67%)	2 (60%)	2 (60%)	84 (63%)
Financial institution	12 (26%)	7 (15%)	11 (14%)	11 (48%)	2 (9%)	2 (9%)	24 (31%)	2 (33%)	5 (33%)	2 (55%)	5 (14%)	62 (46%)
100% percent of total respondents	2 (4%)	2 (5%)	2 (3%)	2 (9%)	1 (4%)	1 (4%)	1 (1%)	2 (33%)	2 (33%)	2 (55%)	2 (5%)	4 (3%)
Noninterviewed	1 (2%)	1 (2%)	1 (1%)	1 (4%)	1 (4%)	1 (4%)	1 (1%)	1 (16%)	1 (16%)	1 (25%)	1 (3%)	4 (3%)
Noninterviewed and noneligible	1 (2%)	1 (2%)	1 (1%)	1 (4%)	1 (4%)	1 (4%)	1 (1%)	1 (16%)	1 (16%)	1 (25%)	1 (3%)	4 (3%)
Specific	1 (2%)	1 (2%)	1 (1%)	1 (4%)	1 (4%)	1 (4%)	1 (1%)	1 (16%)	1 (16%)	1 (25%)	1 (3%)	4 (3%)
Black business administration	1 (2%)	1 (2%)	1 (1%)	1 (4%)	1 (4%)	1 (4%)	1 (1%)	1 (16%)	1 (16%)	1 (25%)	1 (3%)	4 (3%)
Other	1 (2%)	1 (2%)	1 (1%)	1 (4%)	1 (4%)	1 (4%)	1 (1%)	1 (16%)	1 (16%)	1 (25%)	1 (3%)	4 (3%)
Total respondents	40	9	90	23	13	16	84	20	16	5	9	169

Contractors interviewed with
2000 for Atlanta and Boston were gathered in 1971.
2000 for Chicago and San Francisco-Oakland were collected during 1973-1974.



Table A-40
Contractors interviewed, by zip codes with bank loans
by City and Facial/Ethnic Background

Have you ever tried to obtain a bank loan for your business?	Atlanta			Chicago			San Francisco-Oakland			Subtotal			Total			San Francisco-Oakland Total		
	Black	Spanish American	Other	Black	Spanish American	Other	Black	Spanish American	Other	Black	Spanish American	Other	Black	Spanish American	Other		Black	Spanish American
Total	26 (79%)	7 (20%)	22 (58%)	24 (92%)	6 (22%)	32 (78%)	21 (82%)	16 (79%)	3 (28%)	8 (47%)	3 (59%)	2 (100%)	105 (72%)	137 (74%)	199 (70%)	38 (83%)	12 (12%)	4 (4%)
Yes, a percent of total respondents	24 (92%)	7 (20%)	27 (77%)	17 (71%)	3 (50%)	20 (63%)	16 (76%)	10 (63%)	2 (67%)	6 (75%)	3 (100%)	2 (100%)	76 (76%)	96 (74%)	147 (74%)	34 (89%)	17 (24%)	3 (75%)
Black success	6 (23%)	4 (57%)	4 (18%)	3 (12%)	1 (17%)	4 (14%)	4 (18%)	1 (6%)	1 (33%)	2 (25%)	2 (67%)	2 (100%)	12 (12%)	13 (10%)	21 (11%)	6 (16%)	3 (4%)	3 (75%)
Contract not stated	-	-	1 (4%)	-	-	1 (3%)	-	-	-	-	-	-	-	-	-	-	-	-
In process	-	-	1 (4%)	-	-	1 (3%)	-	-	-	-	-	-	-	-	-	-	-	-
Not available as a percent of total (bank not contacted)	(54%) (100%)	(82%) (82%)	(87%) (87%)	(85%) (85%)	(57%) (57%)	(74%) (74%)	(77%) (77%)	(91%) (91%)	(100%) (100%)	(100%) (100%)	(100%) (100%)	(100%) (100%)	(82%) (82%)	(80%) (80%)	(81%) (81%)	(82%) (82%)	(100%) (100%)	(100%) (100%)
Total respondents	43	10	45	26	15	41	49	23	6	17	6	2	145	186	284	24	4	24

NOTES: Personal interviews with contractors. Data for Atlanta and San Francisco-Oakland were collected during 1971-1974. Data for Chicago and San Francisco-Oakland were collected during 1971-1974.

Table A-41
Source of Labor to Contractors Interviewed, by City and Social/Ethnic Background

Source	Atlanta				Chicago				San Francisco-Oakland						Total			
	Black		Spanish American		Black		Spanish American		Spanish American		Chinese American		Japanese American		American Indian		Subtotal, Citizens in Non-South	Total American All Cities
	Black	Spanish American	Black	Spanish American	Spanish American	American	American	American	American	American	American	American	American	American	American			
1. Mail employees	12	4	22	26	5	10	27	5	4	7	1	1	1	1	1	1	63	101
2. Mail on site or in my office	4	8	8	10	1	2	3	2	1	1	1	1	1	1	1	1	29	41
3. Referrals from employees	3	2	9	10	1	2	16	1	1	1	1	1	1	1	1	1	22	39
4. Referrals from fellow contractors	4	1	7	8	1	1	12	1	2	4	2	2	2	2	2	2	19	38
5. Referrals from suppliers or customers	1	1	6	6	1	6	21	6	1	1	1	1	1	1	1	1	22	51
6. Recommendations of friends or relatives	2	1	5	6	1	1	1	1	1	1	1	1	1	1	1	1	1	10
7. Advertising in newspapers	2	2	1	2	1	1	1	1	1	1	1	1	1	1	1	1	1	7
8. Advertising in radio or television	2	1	1	2	1	1	1	1	1	1	1	1	1	1	1	1	1	2
9. Referrals on street corners	3	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	3
10. Referrals from union referral service	6	1	5	5	1	13	13	2	4	6	3	3	3	3	3	3	103	114
11. Referrals from advertising agencies	7	2	2	2	3	3	6	3	2	1	2	2	2	2	2	2	16	25
12. Referrals from trade journals	5	2	2	2	4	4	4	4	2	2	2	2	2	2	2	2	6	10
13. Trade schools or training programs	2	1	1	2	1	1	2	1	1	1	1	1	1	1	1	1	3	7
14. Advertisement in newspaper	3	1	4	4	1	1	1	1	1	1	1	1	1	1	1	1	1	7
15. Advertisement on radio or television	1	1	4	4	1	1	1	1	1	1	1	1	1	1	1	1	1	5
Total respondents	40	11	40	59	99	26	40	86	22	8	15	5	5	5	5	5	170	277

NOTE: The estimate add to more than the number of respondents because some of the contractors mentioned more than one source.

SOURCE: Personal interviews with contractors. Data for Atlanta and Houston were gathered in 1971. Data for Chicago and San Francisco-Oakland were collected during 1973-1974.

Table A-42

Contractors interviewed, by whether or not they have trouble finding and employing reliable and capable workers, by city and racial/ethnic background

Do you have any trouble finding and employing reliable and capable workers?	Atlanta				Chicago				San Francisco-Oakland				Total	
	Blacks	Hispanics	Whites	Total	Blacks	Hispanics	Whites	Total	Blacks	Hispanics	Whites	Total	Blacks	Whites
Yes	29 (7%)	6 (17%)	23 (53%)	58 (27%)	7 (20%)	4 (20%)	41 (68%)	52 (78%)	14 (36%)	1 (17%)	11 (61%)	26 (51%)	2 (100%)	2 (13%)
No	14 (37%)	3 (26%)	20 (47%)	37 (53%)	17 (50%)	42 (50%)	37 (60%)	96 (78%)	5 (13%)	5 (83%)	7 (70%)	69 (71%)	3 (150%)	16 (133%)
Total respondents	43	9	43	95	24	14	88	146	19	6	18	41	5	18

NOTE: Personal interviews with contractors. Data for Atlanta and Houston were gathered in 1971. Data for Chicago and San Francisco-Oakland were collected during 1973-1974.

Table A-43
Contractors Interviewed, by Experience with Bidding,
By City and Race/Ethnic Background

Bidding Experience	Atlanta		San Jose		Chicago		San Francisco-Oakland		San Francisco-Oakland		TOTAL	TOTAL	TOTAL	TOTAL
	Black	Spanish American	Black	Spanish American	Black	Spanish American	Black	Spanish American	Black	Spanish American				
Have you ever tried to obtain bidding?														
Yes	20	6	12	10	17	14	7	7	12	6	2	2	2	2
Successful	17	3	5	8	17	14	7	7	12	6	2	2	2	2
Refused	1	1	1	2	1	1	1	1	1	1	1	1	1	1
Application pending	2	2	6	8	10	10	1	1	1	1	1	1	1	1
No	27	5	35	40	10	67	9	9	7	2	2	2	2	2
(as a percent of total respondents)	(57%)	(65%)	(74%)	(69%)	(27%)	(64%)	(26%)	(26%)	(33%)	(25%)	(33%)	(33%)	(25%)	(33%)
Total respondents:	47	11	47	58	27	105	16	43	91	23	6	2	148	191

Source: Personal interviews with contractors. Data for Atlanta and Houston were gathered in 1971. Data for Chicago and San Francisco-Oakland were collected during 1973-1974.



Table A-44
Contractors Interviewed, by Proportion of Work Performed for Anglo Customers, by City and Ethnic/Racial Background

Proportion of work performed for Anglo customers	ATLANTA		MEMPHIS		CHICAGO		SAN FRANCISCO-OAKLAND		SUBTOTAL					
	Black	White	Black	White	Black	White	Black	White	Black	White				
0 None	3	2	1	3	3	3	-	-	-	-	1	4	10	
1 Less than 10 percent (but not zero)	4	2	2	4	2	5	3	1	-	-	12	17	25	
2 10 percent to 49 percent	9	1	4	5	13	5	12	4	-	5	23	31	44	
3 50 percent to 99 percent	12	3	8	11	23	10	42	7	1	4	37	70	93	
4 More than 99 percent (but not 100 percent)	3	1	4	5	6	7	13	9	4	2	1	20	26	44
5 100 percent	-	1	9	16	1	4	3	1	-	1	19	24	34	
Sum, but not tabulated separately	11	1	17	18	29	-	-	-	-	-	-	-	-	-
Total respondents	41	11	65	56	97	26	87	24	6	17	6	2	142	184

Source: Personal interviews with minority contractors. Data for Atlanta and Memphis were gathered in 1971. Data for Chicago and San Francisco-Oakland were collected during 1973-1974.

Table A-45
Mentioned Sources of Information on Jobs for Contractors Interviewed, by City and Racial/Ethnic Background

Source of Information on Jobs (How do you locate jobs?)	Atlanta			Houston			Chicago			Subtotal, Cities in Research			San Francisco-Oakland		
	Black			Black American			Black American			Black American			Total		
	Black	Black American	Total	Black	Black American	Total	Black	Black American	Total	Black	Black American	Total	Black	Black American	Total
Personal Reports															
Builder's Network	11	2	3	14	11	3	14	11	3	14	11	3	5	6	11
General Contractors	1	-	-	1	-	-	2	-	-	2	-	-	2	-	-
Government Contractors	2	-	-	2	-	-	3	-	-	3	-	-	3	-	-
Other Personal Sources	8	3	11	14	2	1	3	1	2	3	1	2	3	1	4
Referrals from Minority Contractors Association															
Referrals from General Contractors of Architects	5	6	11	13	11	8	19	16	16	19	16	16	5	8	13
Go to Job Site and Ask	17	1	18	26	14	2	25	7	6	26	14	2	48	15	63
Other Informal Sources	7	1	8	20	2	1	2	4	2	2	2	2	12	6	18
Total Respondents	47	31	78	106	26	16	40	24	24	40	24	24	146	2	148

NOTE: Columns may not add to total respondents because many contractors mentioned more than one source of information on jobs.
SOURCE: Personal interviews with construction contractors. Data for Atlanta and Houston were gathered in 1971; data for Chicago and San Francisco-Oakland were collected during 1973-74.

Table A-46
Contractors Interviewed, by Attitude toward Size of Current Work Load,
By City and Social/Ethnic Background

Are you essentially getting all the work you can handle?	Atlanta				Chicago				San Francisco-Oakland				Subtotal, Cities in Non-South	Total All Cities		
	Blacks		Total		Blacks		Total		Blacks		Total				Total	
	Black	Spanish American	Black	Spanish American	Black	Spanish American	Black	Spanish American	Black	Spanish American	Black	Spanish American				
Yes	27	7	24	31	58	16	6	22	3	10	3	7	1	52	74	132
No	9	4	13	23	32	10	10	20	61	14	5	11	3	95	115	147
(as a percent of total respondents)	(25%)	(28%)	(60%)	(53%)	(26%)	(29%)	(63%)	(60%)	(69%)	(59%)	(63%)	(61%)	(50%)	(63%)	(61%)	(53%)
Total respondents	36	11	43	54	90	26	16	42	89	24	8	18	2	147	189	279

SOURCE: Personal interviews with minority contractors. Data for Atlanta and Boston were gathered in 1971. Data for Chicago and San Francisco-Oakland were collected during 1973-1974.

Table A-47
Contractors Interviewed, by Knowledge of and Participation in BAA Programs,
by City and Racial/Ethnic Background

BAA Program	Atlanta - 1971				Chicago - 1971/1974				San Francisco-Oakland				Subtotals, Cities in Total		Total minorities all cities	San Francisco-Oakland White	
	Black		Hispanic		Black		Hispanic		Black		Hispanic		Total	Total			
	Black	Hispanic	Black	Hispanic	Black	Hispanic	Black	Hispanic	American	Japanese	American	Indian					
Not heard of it	38	5	37	43	73	5	4	9	21	8	17	1	5	2	45	54	127
Familiar with it	14	5	2	14	28	21	12	33	70	17	3	1	11	2	101	136	164
Application submitted	4	3	2	2	9	11	3	14	36	6	2	1	8	1	51	65	74
Application rejected	4	3	2	5	9	10	3	13	32	5	2	1	8	1	48	61	70
Application pending	4	3	2	5	9	10	3	13	32	5	2	1	8	1	48	61	70
Contract(s) obtained	44	11	46	57	101	26	16	42	91	25	6	18	6	2	148	190	291
Total respondents																	
Available, requiring line of credit																	
Not heard of it																	
Familiar with it																	
Application submitted																	
Application rejected																	
Application pending																	
Contract(s) obtained																	
Total respondents																	
Not heard of it																	
Familiar with it																	
Application submitted																	
Application rejected																	
Application pending																	
Contract(s) obtained																	
Total respondents																	
Not heard of it																	
Familiar with it																	
Application submitted																	
Application rejected																	
Application pending																	
Contract(s) obtained																	
Total respondents																	

SOURCE: Personal Interviews with Contractors. Data for Atlanta and Boston were gathered in 1971. Data for Chicago and San Francisco-Oakland were collected during 1973-1974.

Table A-49
Minority Contractors Interviewed by Increased Preferences for Government
Assistances: By City and Racial/Ethnic Background

Area of Preference	Atlanta		San Francisco-Oakland		Chicago		Detroit		Los Angeles		New York		Philadelphia		San Francisco-Oakland		Seattle		Total minorities, all cities
	Black	White	Black	White	Black	White	Black	White	Black	White	Black	White	Black	White	Black	White	Black	White	
Increasing availability of financing	17	6	18	16	16	10	7	17	17	80	12	4	5	-	2	103	120	153	
Increasing volume of contracts	3	1	1	2	5	3	12	15	15	51	10	-	7	2	2	72	87	92	
Assistance with bonding	1	2	1	3	4	3	1	4	27	5	-	2	-	-	-	34	38	42	
Providing technical assistance	5	2	4	6	11	-	2	2	19	5	-	5	2	-	-	31	33	44	
Providing labor training	6	2	2	4	10	2	1	2	9	1	-	1	1	1	1	12	15	25	
Waiving legal action against discrimination	1	-	1	1	1	1	4	5	13	2	-	-	-	-	-	15	20	21	
Other	-	-	3	3	3	13	2	15	1	5	2	1	1	1	-	10	25	26	
Total respondents	21	0	16	24	45	22	15	37	86	22	7	14	5	2	136	173	218		

Source: Personal interviews with minority contractors. Data for Atlanta and Houston were gathered in 1971. Data for Chicago and San Francisco-Oakland were collected during 1973-1974.

Table B-49
Contractors Interviewed, by Joint Venture Experience,
By City and Social/Ethnic Background

Have you ever joint ventured with another firm?	Atlanta		Chicago		San Francisco		San Francisco		San Francisco		San Francisco		Total identified in all cities	San Francisco Unid.
	Blacks	Whites	Blacks	Whites	Blacks	Whites	Blacks	Whites	Blacks	Whites	Blacks	Whites		
Yes, with white firm	0	0	0	0	6	14	6	1	2	0	1	24	30	10
Yes, with minority firm	9	3	12	15	1	6	0	0	0	1	0	7	35	0
Yes, with both white and minority firm	0	0	0	0	1	5	0	0	0	0	0	5	6	0
Yes, with unspecified firm	0	0	0	0	1	0	0	0	0	0	0	0	1	0
Total with joint venture experience (as a percent of total respondents)	9	3	12	15	9	25	6	1	2	1	1	36	72	10
Total without joint venture experience	29	10	37	40	17	30	64	18	7	16	5	111	233	690
Total respondents	44	13	49	55	26	42	89	24	9	17	6	147	288	700

NOTE: Personal interviews with contractors. Data for Atlanta and Chicago were gathered in 1971. Data for Chicago and San Francisco-Bay Area were collected during 1973-1974.

Table A-16
 Characteristics Interviewed, by Willingness to Join Venture,
 by City and Racial/Ethnic Background

Would you be willing to join a venture with one or more firms in a "high-tech" business?	Atlanta			Chicago			San Francisco-Oakland			Seattle		
	Black	White	Total	Black	White	Total	Black	White	Total	Black	White	Total
Yes (willing)	22 (83%)	6 (67%)	28 (80%)	24 (92%)	11 (79%)	35 (80%)	73 (82%)	16 (75%)	89 (80%)	4 (57%)	5 (69%)	9 (63%)
No (not willing)	7 (27%)	3 (33%)	10 (28%)	2 (8%)	3 (21%)	5 (11%)	16 (18%)	6 (28%)	20 (18%)	3 (43%)	2 (27%)	5 (37%)
Total respondents	29	9	38	26	14	40	89	24	113	7	7	14
Total interviewed	60	9	69	26	14	40	89	24	113	7	7	14

NOTES: Percentages with denominators. Data for Atlanta and Seattle were gathered in 1971. Data for Chicago and San Francisco-Oakland were collected during 1973-1974.

Table A-52
Contractors Interviewed, by Knowledge of
the Job Opportunities in the Business Sector (JOBS) Program,
by City and Racial/Ethnic Background

Have you ever heard of the MAB-JOBS Program?	Chicago			San Francisco-Oakland			Total	Total Minorities by City	San Francisco- Oakland White
	Black	Spanish American	Total	Spanish American	Chinese American	Japanese American Indian			
Yes	7	-	7	4	1	2	42	49	9
No	17	12	29	18	6	16	95	124	9
Total Respondents	24	12	36	22	7	18	137	173	18

SOURCE: Personal interviews with contractors during 1973-1974. Similar data were not collected in Atlanta and Houston.

Table A-52

Contractors Interviewed, by Knowledge of
the Job Opportunities in the Business Sector (BOS) Program:
by City and Social/Ethnic Background

Have you ever heard of the BOS Program?	Chicago		San Francisco-Oakland		San Francisco- Oakland White		Total	Total Minority Cities
	Black American	Spanish American	Black American	Spanish American	Black American	Spanish American		
Yes	7	-	7	4	1	2	42	49
No	17	12	29	18	6	16	95	124
Total Respondents	24	12	36	22	7	18	137	173

SOURCE: Personal interviews with contractors during 1973-1974. Similar data were not collected in Atlanta and Houston.



Table B-13
 Outcomes Laboratory: by Participation in Formal Training Programs,
 by City and Racial/Ethnic Background

Type of Program	Chicago		San Francisco		Seattle		New York		Los Angeles		Philadelphia		San Francisco		Total	Total non-Black	Total All Cities	San Francisco Called Cells
	Black	White	Black	White	Black	White	Black	White	Black	White	Black	White	Black	White				
See your class participated in any formal training program during the past five years?	29	7	42	49	79	15	11	26	90	17	6	11	4	1	80	114	192	9
Yes	9	4	3	7	15	11	3	14	29	6	2	7	2	2	26	72	98	13
No	20	3	39	42	64	4	8	12	61	11	4	4	2	0	54	42	94	0
Approximately	3	2	2	2	6	2	2	6	3	1	2	1	1	1	7	15	21	-
10-20% Program	2	1	1	1	4	1	1	2	1	1	1	1	1	1	2	2	2	-
Other governmental	1	1	1	1	2	1	1	2	1	1	1	1	1	1	2	2	2	-
Other private	1	1	1	1	2	1	1	2	1	1	1	1	1	1	2	2	2	-
Both governmental and private	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unspecified	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total respondents	28	11	48	56	94	26	14	48	88	33	8	18	6	2	146	186	260	24

Source: Personnel interviews with employers. Data for Atlanta and Houston were gathered in 1977. Data for Chicago and San Francisco-Oakland were collected during 1977-1978.

Table A-52

Contractors Interviewed, by Knowledge of
the Job Opportunities in the Business Sector (JOBS) Program,
by City and Racial/Ethnic Background

Have you ever heard of the MAB-JOBS Program?	Chicago			San Francisco-Oakland				Total	Total Minorities			
	Black	Spanish American	Total	Black	Spanish American	Chinese American	Japanese American		Indian American	Both Cities	San Francisco- Oakland White	
Yes	7	-	7	34	4	1	2	-	1	42	49	9
No	17	12	29	50	18	6	16	4	1	95	124	9
Total Respondents	24	12	36	84	22	7	18	4	2	137	173	18

SOURCE: Personal interviews with contractors during 1973-1974. Similar data were not collected in Atlanta and Boston.

Table A-33
Contractors Interviewed by Participation in Formal Training Programs:
by City and Racial/Ethnic Background

Do you still participate in any formal training program during the past five years?	Atlanta		Houston		Chicago		San Francisco-Oakland				Total	Total interviewees, All Cities	San Francisco-Oakland White				
	Black	Spanish American	Black	Spanish American	Black	Spanish American	Black	Spanish American	Japanese American	Indian							
No	7	43	49	78	15	11	36	50	17	6	31	4	88	114	197	9	
Yes	4	3	7	15	11	3	14	29	6	3	7	2	38	72	80	13	
Type of Program																	
Apprenticeship	4	2	2	6	6	2	8	3	2	2	2	1	7	15	21	-	
MLB-JOB Program	3	1	4	2	-	-	-	1	-	-	-	-	1	1	2	-	
Other governmental	1	1	2	2	1	1	4	19	1	-	5	2	24	24	32	3	
Other private	1	-	1	2	3	1	6	9	3	-	1	2	16	22	24	4	
Both governmental and private	-	-	-	-	-	-	-	2	1	-	-	-	3	3	6	2	
Unspecified	-	-	-	-	-	-	-	2	-	-	-	-	2	2	2	-	
Total respondents	36	45	54	94	36	14	40	89	23	8	38	6	144	186	200	24	

SOURCE: Personal interviews with contractors. Data for Atlanta and Houston were gathered in 1971. Data for Chicago and San Francisco-Oakland were collected during 1973-1974.

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Prado, Incencio L., minority business representative, Small Business Administration (May 6, 1971).

Robinson, Jewelne, project analyst, Houston Model Cities Program (February 25, 1970).

Rougagnac, John F., assistant manager, U.S. Fidelity and Guarantee Company (August 25, 1970).

Sims, Carrel W., director, Project BOLD, National Business League (October 14, 1971).

Stafford, Dr. James, former director, Business Resource Development Department (February 24, 1971).

Stockton, Kenneth, research assistant, Industrial Development Sector, Houston Chamber of Commerce (April 20, 1971).

Stouse, Enrique, consultant to small businesses, Equity Research, Inc. (February 22, 1971).

Sudela, Frank, senior planner, Harris County Community Action Agency (August 21, 1970).

Tarpey, J. J., Jr., president, Tarpey and Company (August 25, 1970).

Taylor, Robert, statistician, District Office, Texas Employment Commission (August 5, 1970).

Walker, James, planner, Houston Model Cities Program (August 20, 1970).

Williams, Dr. Earl, director, Center for Human Resources, University of Houston (August 5, 1970).

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- Bekoe, Benjamin, construction manpower analyst, Chicago Urban League (April 29, 1974).
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- Graham, Ray J., director for equal opportunity, Sears, Roebuck, & Company (February 28, 1973).
- Grey, William, coordinator for Small Business Procurement Division, Springfield, Illinois (May 17, 1974).
- Hogan, Edward M., Jr., assistant secretary, Building Construction Employers Association of Chicago (February 28, 1973).
- Huchinson, James, loan officer, First National Bank (August 14, 1973).
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Irwin, Don, former regional director, U.S. Department of Labor (February 28, 1973).

Johnson, Dr. E. Marie, president, E. Marie Johnson and Associates (August 14, 1973)1

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King, Paul, executive director, United Builders Association (September 25, 1971).

Latimer, Carl, executive director, Coalition of United Community Action (March 6, 1974).

Leesman, Clark, equal employment opportunity officer and prequalification engineer, Illinois State Department of Transportation (April 29, 1974 - by telephone).

Lowe, Walter, Manpower Administration, U.S. Department of Labor (March 27, 1974 - by telephone).

McGregor, Robert, executive director, Chicago United (March 12, 1974 - by telephone).

Moran, Bud, minority enterprise representative, Small Business Administration (June 21, 1973).

Nayder, Thomas J., president, Chicago Building Trades Council, Chicago (April 29, 1974 - by telephone).

Ortiz, Kathy, director, Latin American Task Force (March 5, 1974).

Ovalle, José, executive director, Latin American Task Force (February 28, 1973).

Parker, Henry, assistant director, LEAP Outreach Program, Chicago Urban League (July 6, 1973).

Ross, Norman, vice-president for public affairs, First National Bank of Chicago (February 27, 1973 - by telephone).

Sampson, Albert, labor project staff, National Association of Minority Contractors, Chicago (June 20, 1973).

Smith, William M., Jr., city planner, Andrew Heard and Associates, Ltd. and organizer for Operation PUSH (March 12, 1974).

Young, Arlene, NAB coordinator, National Alliance of Businessmen (March 6, 1974 - by telephone).

San Francisco-Oakland

Anderson, Frank H., project manager, Oakland Redevelopment Project, Turner Construction Company, Oakland (January 23, 1974).

Blackledge, Charles P., chief, Community Economic Development, Small Business Administration (November 7, 1972).

Breitneicher, Joseph, research, San Francisco Employment Law Center, San Francisco (January 30, 1973).

Brookins, Chet V., Labor Relations and Equal Employment Opportunity officer, Henry C. Beck Company, San Francisco (January 28, 1974).

Crosby, Douglas, former executive director, GSCA, Oakland (July 18, 1972).

Castelán, Julius, former consultant for job development, Mission Contractors Association, San Francisco (May 30, 1972).

Childers, Lamar, secretary, Alameda County Building Trades Council, Oakland (January 17, 1974).

Chilton, Jan, attorney, National Housing and Economic Development Law Project (June 26, 1972 - by telephone).

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Debroy, Joseph, executive director, National Association of Minority Contractors.

Denny, Edward T., state supervisor, U.S. Bureau of Apprenticeship and Training (February 11, 1974).

Dones, Ray, former president, National Association of
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Fong, Hanley, associate highway engineer, California
Department of Transportation, San Francisco
(January 11, 1974).

Farmer, McKinley, director, O-J-T Project, director
HUD Registry Project, Urban League of the Bay
Area, San Francisco (January 30, 1973).

Flannery, John P., manager, Recruitment and Government
Programs, National Alliance of Businessmen, Oakland
(February 4, 1974).

Hanke, Lon B., former western regional representative,
AGC-JOBS Placement, San Francisco (February 1, 1973).

Hampton, Charles F., deputy associate regional administra-
tor, Manpower Administration, U.S. Department of
Labor, San Francisco (January 31, 1973).

Harlan, Robert B., manager, Recruitment and Government
Programs, National Alliance of Businessmen, San
Francisco (February 1, 1974).

Hattem, Benson I., affirmative action officer, San
Francisco Redevelopment Agency (May 18 and 30,
1972 and January 4, 1974).

Hecht, Kenneth, attorney, Employment Law Center, San
Francisco (January 30, 1973).

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Business Enterprise, U.S. Department of Commerce,
San Francisco (March 6, 1972)

Johnson, Gene, executive director, Project UPGRADE, Inc.,
Oakland (November 7, 1972).

Johnson, Wendell, former executive director, Alameda
County Hometown Plan, Oakland (February 2, 1973).

Lim, Stanley, employment representative and Shone
Martinez, community organization representative,
Human Rights Commission of San Francisco, San
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(February 2, 1973 and also February 4, 1974).
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(January 16 and 24, 1974).
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of San Francisco, Inc.

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Vercesi, Donna, program manager, Concentrated Employment Program, Oakland (January 25, 1974).

Elsewhere

Ails, Laurence, staff member, Model Neighborhood Assembly, Columbus, Ohio (January 6, 1973 - in Houston).

Allen, Willie J., president, Central Contractors Association, Seattle, Washington (August 2, 1972 - by telephone).

Alsandor, Jude, president, Jude Alsandor Construction Company, Lafayette, Louisiana (April 25, 1974 -- in Dallas).

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Atkinson, Frank P., executive director, Contractors Triangle Association, Tustin, California (November 9, 1972).

Austin, James, P., president, Polk County Minority Contractors Association, Lake Wales, Florida (August 15, 1973 -- by telephone).

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- Miller, Thomas, formerly president, Rocky Mountain Minority Contractors Association, Denver, Colorado (June 22, 1973 -- in Kansas City).
- Moore, Benjamin C., deputy director, Minority Contractors Assistance Project, Washington, D.C. (June 22, 1973).
- Morse, Joseph E., organizer, Tuskegee Area Home Builders Association, Tuskegee Institute, Alabama (August 1, 1973 -- by telephone).
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Peters, Ernest, operations director, New Jersey Contractors Development Office, Newark, New Jersey (August 7, 1973 -- by telephone).

Poindexter, James, chairman of the board, Afro Contractors Association of Alabama, Inc., Birmingham, Alabama (August 1, 1973 -- by telephone).

Pope, James R., president, Sacramento General and Specialty Contractors, Sacramento, California (August 10, -- by telephone).

Pryde, Paul L., Jr., treasurer and vice president for program development, Opportunity Funding Corporation, Washington, D.C. (July 31, 1973).

Pulaski, Richard, Engineering Extension Service, A&M University, College Station (March 22, 1972 -- by telephone).

Ransom, Robert, Builder's Control Service Company, Los Angeles (February 5, 1973 -- by phone).

Rodriguez, Raymond, formerly state agency coordinator, Texas Office of Minority Business Enterprise, Austin (March 9, 1973).

Saenz, Ronald C., executive director, California Association of Mexican American Contractors, Los Angeles, California (June 22, 1973 -- in Kansas City).

Shapiro, Theresa R., associate director, Division of Business and Economic Research, Louisiana State University of New Orleans, New Orleans, Louisiana (November 19, 1970 -- in Houston).

Shaw, Frederick, area representative, NAMC Labor Project, Memphis, Tennessee (August 2, 1973 -- by telephone).

Sinclair, Hugh, Insurance Company of North America (INA) Philadelphia, Pennsylvania (January 29, 1973 -- by telephone).

Smith, Harry, business management specialist, Minority Contractor's Assistance Project, Council for Equal Business Opportunity, Baltimore, Maryland (August 7, 1973 -- by telephone).

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Solares, Gilbert, member, Business and Professional Guidance Council, San Jose, California (February 8, 1973 -- by telephone).

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Sperling, Samuel M., director, Office of Contract Compliance, Board of Public Works, Los Angeles (December 24, 1970).

Springer, Ralph, member, Board of Directors, Minority Builders of Alabama, Birmingham, Alabama (August 2, 1973 -- by telephone).

Stern, Peter Jay, formerly assistant director, Model Cities Planning Staff Office of the Governor of Texas, Austin, Texas (July 20, 1970).

Thomas, Mengste, contractors assistance coordinator, Black People's Unity Movement-Economic Development Corporation, Camden, New Jersey (August 7, 1974 -- by telephone).

Thomas, S. Daniel, member Minority Contractors Association of Chattonooga, Tennessee (August 7, 1974 -- by telephone).

Thompson, Eddie, Jr., organizer, Covington Minority Contractors Association, Covington, Kentucky (August 9, 1974 -- by telephone).

Tokash, Joe, consultant, Office of the Deputy Associate Commissioner for Occupational Education and Technology, Texas Education Agency, Austin (March 23, 1972).

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